AUSTRALIAN RENEWABLE FUELS LIMITED

ABN 66 096 782 188

Appendix 4E and Annual Financial Report

for the year ended 30 June 2013

Corporate information

Company secretary:
Mark Licciardo (appointed 20 November 2012)
Mertons
Level 6, 350 Collins Street
Melbourne Vic 3000

Principal registered office:
Level 5, 409 St Kilda Road
Melbourne VIC 3004

Postal address:
Level 5, 409 St Kilda Road
Melbourne VIC 3004

Share registry:
Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067

ASX code:
ARW

Solicitors:
Baker & McKenzie
Level 19
181 William Street
Melbourne VIC 3000

Gadens Lawyers
Level 25, Bourke Place
600 Bourke Street
Melbourne VIC 3000

Bankers:
HSBC Bank Australia Limited
188-190 St Georges Terrace
Perth WA 6000

Auditors:
Deloitte Touche Tohmatsu
550 Bourke Street
Melbourne VIC 3000

Website:
www.arfuels.com.au

Appendix 4E

Australian Renewable Fuels Limited ABN 66 096 782 188

Year ended 30 June 2013

Previous corresponding period: year ended 30 June 2012

Results for announcement to the market

	2013 $A'000	**2012 $A'000**	**Up/ Down**	**% Movement**
Revenue from ordinary activities	58,592	39,174	Up	50%
Profit/(loss) from ordinary activities after tax attributable to members	2,303	(7,173)	Up	132%
Net profit/(loss) for the period attributable to members	2,303	(7,173)	Up	132%

No dividends have been declared for the year ended 30 June 2013.

Additional information

	2013	**2012**
Net tangible assets per ordinary security	0.6 cents per share	0.4 cents per share

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in the 30 June 2013 Annual Financial Report.

Contents

Directors' report

The Directors of Australian Renewable Fuels Limited (ARfuels) present their annual financial report of the Company for the year ended 30 June 2013.

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Philip Garling Independent Chair	Philip has 30 years' experience in Infrastructure Construction, Development, Operations and Investment Management, most recently as Global Head of Infrastructure at AMP Capital Investors. He has also been Chief Executive Officer of Tenix Infrastructure and prior to that he was a long term Senior Executive at Lend Lease Corporation culminating in his role as Chief Executive of Lend Lease Capital Services (the Development Capital, Infrastructure Development and Project Finance arm of Lend Lease). Philip is a former member of the Federal Government Environment Industry Action Agenda, and a former Councillor of Environment Business Australia. Philip has a Bachelor of Building from the University of NSW. He also completed an Advanced Management Program at the Australian Institute of Management and an Advanced Diploma from the Australian Institute of Company Directors and is a Fellow of the Australian Institute of Company Directors, Australian Institute of Building and Institution of Engineers, Australia. Philip was the foundation Chair of the ASX listed DUET Group. He is currently a Director of Downer EDI, Charter Hall, Networks NSW and Water Polo Australia.
Andrew White Managing Director	Andrew has been the Managing Director and Chief Executive Officer of ARfuels since 1 July 2011. Prior to that Andrew was a Director and Chief Operating Officer of Infrastructure Capital Group Limited, an investment management business with over $1 billion of equity funds under management and invested in infrastructure across Australia. Andrew led Biodiesel Producers Limited, an unlisted public Company that manufactures biodiesel from tallow and waste cooking oil as the Managing Director/Chief Executive Officer. Andrew has sat on the Board and Management Committees for various large energy projects including Neerabup Power Station (330mW), Kwinana Power Station (320mW) and the Esperance Energy Project (336km Kambalda to Esperance Gas Pipeline and energy station). With a chartered accounting background, Andrew also worked for 8 years with Arthur Andersen and 9 years in senior executive roles including Finance Director and Strategic Planning Director with Mars Inc. in Australia and New Zealand. Andrew is a Director and Treasurer of the Biofuels Association of Australia - Australia's peak industry body for the biofuels industry.
Michael Costello AO Independent Non-Executive Director	Michael was appointed as non-executive Director on 5 May 2011. Before his appointment to ActewAGL in 2008, Michael was Managing Director, ACTEW Corporation, a member of the ACTEW Board and a member of the ActewAGL Joint Venture Partnerships Board from 2003. Michael is a member of the Advisory Council of the Australian National University's Crawford School of Economics and Government. Michael was previously Deputy-Managing Director of the Australian Stock Exchange. He was Chief of Staff to the Hon Kim Beazley AC, the former Labor Opposition Leader and to the Hon Bill Hayden AC when he was the Minister for Foreign Affairs. Michael has been the Secretary of the Department of Foreign Affairs and Trade and the Department of Industrial Relations. He has held a number of diplomatic posts including Ambassador to the United Nations. Michael holds degrees in arts and law. He is a Fellow of the Australian Institute of Company Directors. He received an Order of Australia (AO) in 1996 for international relations.

Deborah Page AM
Independent
Non-Executive Director

Deborah has extensive financial experience from a diverse range of Finance and Operational Executive roles, as well as external audit and corporate advisory roles. Deborah was a partner at Touche Ross/KPMG Peat Marwick until 1992 and subsequently held Senior Executive positions with the Lend Lease Group, Allen Allen and Hemsley and the Commonwealth Bank. Deborah has considerable corporate governance experience and is currently on the Boards of several listed and unlisted companies including Investa Listed Funds Management Limited (responsible entity of Investa Office Fund), Service Stream Limited , The Colonial Mutual Life Assurance Society Limited and Commonwealth Insurance Limited.

Deborah is Chair of the Board Audit Committee.

Deborah holds a Bachelor of Economics from Sydney University and is a Fellow of the Institute of Chartered Accountants. Deborah received an Order of Australia in 2006 for services to public health, business and the accounting profession.

Julien Playoust
Non-Executive Director

Julien is Managing Director of AEH Group. He has worked across numerous sectors in capital structuring, mergers & acquisitions, strategy, change management, technology and supply-chain programs. His professional career includes Andersen Consulting and Accenture. He is also a Non-Executive Director of Tatts Group Limited.

Julien is Chair of the Board Remuneration Committee.

Julien is a Director of private equity company MGB Equity Growth Pty Limited, Trustee of the Art Gallery NSW Foundation, Director of the National Gallery of Australia Foundation and on the Advisory Board of The Nature Conservancy. He is a Fellow of the AICD and a member of the Australian Institute of Management, Royal Australian Institute of Architects and The Executive Connection. He holds a MBA from UNSW, Bachelor of Architecture and Bachelor of Science from Sydney University and a Company Director Course Diploma from the AICD.

Directorships of other listed companies

Directorships of other listed companies held by Directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Office[(i)]
Philip Garling	The DUET Group (resigned 4 December 2012)	Non-Executive Director
	Downer EDI Limited, Charter Hall Limited	Non-Executive Director
Andrew White	nil	
Michael Costello AO	nil	
Deborah Page AM	Investa Listed Funds Management Limited (responsible entity of Investa Office Fund)	Non-Executive Chairman
	Service Stream Limited	Non-Executive Director
Julien Playoust	Tatts Group Limited	Non-Executive Director
	MCM Entertainment Group Limited (resigned 19 October 2011)	Non-Executive Director

(i) Current directorship unless otherwise noted

Shareholdings

The following table sets out key management personnel's relevant interests in shares and options of the Company as at the date of this report.

Each option when exercised entitles the holder to one ordinary share.

Directors and other key management personnel	Number of fully paid ordinary shares(i)	Number of Options
Directors		
Philip Garling	5,445,792	15,000,000
Andrew White	12,580,471	45,000,000
Michael Costello	4,255,625	15,000,000
Deborah Page	2,000,000	15,000,000
Julien Playoust	341,500,000	15,000,000
Other key management personnel		
Christopher Attwood	-	20,000,000
Michael Burgess	-	15,000,000

(i) Includes all direct, indirect or associated party ownership

During and since the end of the financial year 15,000,000 share options (2012: 120,000,000) were granted to the following officers of the Company as part of their remuneration.

Directors and other key management personnel	Number of options granted	Number of ordinary shares under option
Director		
Deborah Page	15,000,000	15,000,000

Directors' meetings

The number of Directors' meetings (including meetings of Board Committees) and the number of meetings attended by each of the Directors of the Company held during the financial year are detailed in the following table:

Name	Directors' Meetings (ii)		Audit Committee		Remuneration Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Philip Garling	19	19	6	5	3	2
Andrew White	19	19	6	6(i)	3	3(i)
Michael Costello	19	19	6	6	3	3
Deborah Page	19	19	6	6	3	3
Julien Playoust	19	19	6	6	3	3

(i) In attendance ex-officio

(ii) Includes Nomination Committee Meetings

Company secretary

The names and particulars of the Company Secretaries during or since the end of the financial year are:

Name	
Mark Licciardo	Mr Mark Licciardo was appointed as Company Secretary 20 November 2012
Andrew Metcalfe	Mr Andrew Metcalfe was appointed as Company Secretary on 11 August 2011 and resigned on 19 November 2012

Principal activities

The principal activities continued to be the production and sale of Biodiesel. The nameplate production capacity of ARfuels is 150m litres per annum in total from three manufacturing facilities in Largs Bay (Adelaide), South Australia; Picton, Western Australia; and Barnawartha in Victoria.

Overview

ARfuels made considerable progress in improving its financial and operating performance during the year ended 30 June 2013. The highlights included:

- Recapitalising the business with a sustainable debt and equity structure including:
  - Capital Raising of $12.3m;
  - Repayment of the Suncorp overdraft facility of $6.5m and associated $3.4m Biodiesel Producers Limited (BPL) acquisition settlement payments;
  - Establishing a working capital facility with HSBC Bank Australia Limited for $6m;
  - Completion of the Business Interruption (BI) insurance claim with a final settlement for $5.4 million.

  These funds have removed the short term financing constraints on the business and provide the working capital to support the sales growth of biodiesel in the domestic and overseas markets and to continue our feedstock development program.
- Revenue growth from operations of 49.6%.
- Recording a profit result for the half year and full year financials including the removal of the Auditor's emphasis of matter in relation to going concern in the company's audit report.
- Rebuilding of the Largs Bay plant funded by proceeds from the Material Damages insurance claim.
- Establishing a trading relationship with Valero Energy Inc. and Gavilon Inc. for export sales to the USA.
- Bringing the Picton and Largs Bay plants back on line with the execution of a series of export shipments to the USA.
- Securing a major sales contract extension for the 2014 and 2015 calendar year with a major oil company.
- The establishment of uniform Workplace, Health and Safety (WHS) programs across all sites.
- Implementing a range of administrative and governance improvements across the business.
- Development of supply lines of Waste Vegetable Oils (WVO) out of Asia. A total of approximately 900 tonnes of these feedstocks have been procured and processed in the past twelve months. We are actively working on these supply lines and we anticipate moving to 1000 tonne bulk shipments over the next six months.

Financial performance

ARfuels achieved a Net Profit After Tax (NPAT) of $2,246,621 for the year ended 30 June 2013 (FY2013). This is a significant turnaround from the Net Loss After Tax of $7,235,793 incurred for the year ended 30 June 2012. Included in the NPAT result for FY2013 were the following material one off or significant items:

	$
Unrealised Gain on Valuation of Embedded Derivative	1,100,000
Expenses incurred in discontinued merge with Wentworth Holdings Limited	(456,258)
Loss related to Foreign Currency Translation Reserve	(469,371)
Cost of re-commissioning Largs Bay and providing for other material one off expenses	(603,884)
Total	**(429,513)**

Excluding these significant items, the underlying NPAT for ARfuels was $2,676,134 for the year.

The improvement in year on year financial performance was primarily due to the increase in sales of biodiesel. Over 46.2 million litres of biodiesel was sold by ARfuels during the financial year, a 44% increase over the prior year. This resulted in biodiesel sales revenue of $52,807,473, up from $37,649,821 in the prior year. The sales improvement was driven by increased sales activity at the Barnawartha plant and the impact of a full 12 months worth of sales at Barnawartha with the prior year including only 8 months of sales.

Included in Total Revenue from operations is Net Sales of By-Products. The main By-Product from the biodiesel production process is glycerine. Net Sales of By-Products during the year totalled $1,084,895 (2012: $422,439). Included in Total Revenue is $4.7 million of the proceeds from the BI Insurance claim emanating from the December 2011 fire at the Largs Bay plant. The revenue was largely offset by the costs of re-commissioning the

Largs Bay plant and the cost of maintaining operating staff and resources for the 15 months it has taken to bring the plant back to production.

Feedstock prices during the year fluctuated broadly between $725 per tonne and $900 per tonne. The average cost for the year was $805 (2012: $754). Margins were consistent over the year with the increase in feedstock prices largely offset by increases in the sale price of biodiesel.

Direct Costs include Plant Labour, Utilities, Repairs and Maintenance and other related plant expenditure. The year on year increase of $1,699,704 is in line with increasing production at the three plants including recruitment of operators for Largs Bay and Picton, an increase in utility expenses (mainly power and water), and a number of one off costs associated with the re-commissioning of the Largs Bay and Picton plants.

Staff Costs of $3,005,244 represent a small decrease from the prior year and Corporate and Administration expenses were $3,955,623, an increase of $1,085,540 on the prior year. This increase is due to one off expenses related to the 30 June 2013 year, including:

- Costs of $456,258 relating to the discontinued merger with Wentworth were expensed. These expenses were incurred during the capital raise process undertaken in September 2012 when the merger with Wentworth was discontinued and an alternate capital raise process was completed;
- Foreign Currency Translation Reserve of $469,371 was written off on dissolution of the 64% owned foreign entity American Renewable Fuels Inc; and
- $182,683 in doubtful debts provided for during the year.

The other material Profit and Loss item, Other Income, totalled $1,169,360 for the year, including $1,100,000 related to an Unrealised Gain on the Valuation of Embedded Derivative. The Embedded Derivative is a part of the Convertible Notes issued on the acquisition of Biodiesel Producers Limited (BPL) on 1 November 2011.

Within the Convertible Notes, the share options component is required to be valued at inception, and then at each balance date with any changes to the fair value recorded through Profit and Loss. The Unrealised Gain has arisen to reflect the fall in ARfuels share price from the acquisition date to current reporting date. The decrease in share price from 1 November 2011 (1.9 cents) to 30 June 2013 (0.8 cents) results in an Unrealised Gain of $1,100,000. Should the share price rise above 0.8 cents, then a Loss on Derivative Valuation will be required to be charged against the Profit and Loss account.

The following table provides an overview of the Group's performance for the past two financial years, together with a reconciliation between Earnings Before Interest Tax and Depreciation (EBITDA) and Net profit/(loss) after tax.

	Year Ended 30 June 2013	**Year Ended 30 June 2012**
	$	**$**
Revenue	58,592,368	39,173,694
EBITDA	5,862,638	(3,536,332)
Depreciation and amortisation expenses	(1,722,897)	(2,355,295)
Net finance income/(costs)	(1,893,120)	(1,344,166)
Net profit/(loss) after tax	2,246,621	(7,235,793)

EBITDA for the year was $5,862,638 (inclusive of the Unrealised Gain on Embedded Derivative) or 10% of sales. This represents a significant improvement on the prior year where an EBITDA Loss of $3,536,332 was recorded.

The performance of the key operating segments has been mixed. The Barnawartha plant drove the majority of sales turnover for the year. This plant has developed consistent demand from a major contract and several long term clients. Barnawartha achieved Revenue of $53,184,293, an improvement of 89% on the prior year.

The Largs Bay plant was re-commissioned during February to April 2013. Since then, production has re-commenced and the plant has contributed materially to the June 2013 export shipment. Revenue of $4,866,576 for the year was largely attributable to net insurance proceeds. These proceeds largely offset the ongoing costs of running the plant for the year and other quarantined costs since the fire halted production on 24 December 2011. Of the $5.4m BI settlement, $700,000 related to the recovery of quarantined costs. Plant re-commissioning expenses of over $200,000 were incurred in bringing the plant back to commercial production levels.

The Picton plant did not generate material revenue for the year. Domestic sales have been slow because of the lack of direct access to mineral diesel blending infrastructure in Western Australia. With the re-commencement of the export program, Picton is being used in conjunction with Largs Bay to fulfil that program.

Capital and financial structure

In regards to the capital structure of ARfuels, significant progress has been made during the financial year. In particular:

- ARfuels embarked on a capital raise process with the intention of acquiring $14.0m in cash via a proposed takeover of Wentworth Holdings Ltd. This merger was discontinued and associated costs of $456,258 were expensed to the Profit and Loss account.
- A capital raise of $12.3m was then undertaken via a $4.2m share placement and a fully underwritten rights issue for $8.1m. The injection of equity was priced at 0.7 cents per share and successfully completed in March 2013. Funds from the capital raise were used to pay down a bank overdraft of $6.5m, payout a deferred consideration liability on the acquisition of BPL for $3.4m, and working capital.
- A new banking facility was established in June 2013. The new facility provides up to $6.1m in debt facility to be used for working capital. This has provided greater flexibility for the Group when buying feedstock and also in building finished goods inventory for export shipments.

The capital raising and working capital facility have stabilised the capital base of ARfuels and removed short term financing constraints.

The funds raised during the year and improved trading have improved the Group's financial position. Current Assets to Current Liabilities at 30 June 2013 was at 1.41 times, up from 0.55 times at 30 June 2012.

Cash flow for the year included several significant items. Net overall cash inflow of $1,715,328 was the result of $6,212,723 in operating cash outflows and $7,928,051 of net financing and investing inflows. The significant items included within the net cash movement (rounded to the nearest $0.1m) were:

- Capital raising of $12.3m
- Capital raise costs of $0.5m
- Cost of discontinued merger with Wentworth $0.5m
- Repayment of Suncorp overdraft facility $6.5m
- Deferred consideration (BPL acquisition) $3.4m
- Business Interruption claim proceeds $5.4m
- Payments for feedstock and production for June 2013 export shipment $6.1m

With the business now appropriately capitalised, it is anticipated that the current capital structure will provide a solid base from which to continue to grow the business.

Operating review

General review

Sales for the group have improved over the past twenty months through the acquisition of the Barnawartha plant, the establishment of biodiesel facilities at Victorian and NSW diesel terminals and the re-commencement of the export program to the USA.

Not included in the year's total revenue figure is the June 2013 export shipment of 5.7 million litres. Revenue for this shipment will be recognised on delivery in August 2013. The stock in transit is included in our Finished Goods inventory at year-end.

ARfuels relies on market dynamics to set our sale price of biodiesel and our purchase price of feedstock. The prevailing oil price directly affects our biodiesel sale price per litre. The major source of our feedstock – tallow and used cooking oil (UCO) – are traded commodities, and cost is directly influenced by market demand. Margins have been historically consistent for all plants and we continue to work on maintaining that consistency, although this is not guaranteed. Key Operating Targets for ARfuels are centred on enhancing margins and delivering greater output by plant.

The three plants have an aggregate nameplate production capacity of 150 million litres of biodiesel per year. Plant production is driven by sales demand. With the commencement of the export program, all Plants are now in production. Overall Group production for the year was 34.5% of nameplate capacity.

The status of each plant is as follows:

Largs Bay staff of 13: the re-build has reached practical completion, the 2011 fire insurance claim is now substantially finalised, and the plant is now integral to the export program.

Picton staff of 7: limited domestic sales in WA meant limited production throughout the year; however this plant is also integral to the export program.

Barnawartha staff of 20: the plant has a reliable and consistent sales base underpinned by key contracts. Sales are predominantly driven by the domestic market.

As noted in this report, a key driver of the business is the cost of feedstock. During the financial year, work continued on gaining access to and developing reliable logistics for cheaper feedstock sourced from Asia. ARfuels successfully processed over 900 metric tons of waste vegetable oils (WVO) from the Asia Pacific region during the financial year. This will be a continued focus in FY2014.

Business strategies and prospects

For the 30 June 2014 financial year, ARfuels will continue to work to improve sales and build on the momentum established during the year ended 30 June 2013.

This will require a strong focus on:

- Continuing and strengthening our export sales program;
- Developing the domestic sales base;
- Continuing the development of alternative feedstock supplies out of Asia;
- Driving the Picton and Largs Bay plants towards profitable production volumes, with the focus in 2014 on recruitment and training of plant operators and improving plant performance; and
- Continuing our cost control across the business.

Diversification of Feedstock

Gaining access to a consistent and reliable source of cheaper feedstock from Asia will be a strategic future focus for ARfuels. Significant work has occurred over the past 2 years. This work has resulted in over 1,000 tonnes of Asian based feedstock being successfully processed into biodiesel over the past 2 years.

We are also planning for plant upgrades at Largs Bay and Picton to increase their capability to process lower grade and lower cost feedstock. These plant upgrades are not expected to be implemented until after the year ending 30 June 2014. Processing lower cost feedstock will be an opportunity for ARfuels to protect and improve margins.

Significant Risks

ARfuels monitors key risks and uncertainties on a regular basis. The following items are deemed material risks by the business:

Plant Performance

- All Plants are subject to regular preventative maintenance programs so that at all times each Plant can satisfy prevailing sales demand and mitigate the risk of plant breakdowns.
- All Plants are fully insured with appropriate cover in place; including insurance for plant damage, public and products liability and business interruption. Insurance cover is in place to mitigate the risk of unexpected natural and operational catastrophes negatively affecting the output of our key assets.

Safety

- All ARfuels employees are fully engaged in WHS Practices. Our WHS program has been upgraded since the acquisition of the Barnawartha Plant, and is both consistent and robust across all sites. The health and safety of everyone working at or visiting our plants is a paramount focus.
- Both Management and the Board regularly review key WHS metrics, monitor that appropriate training occurs, and ensure that appropriate resources are made available for WHS purposes.

Financial

- ARfuels is subject to fluctuations in commodity prices and currency exchange rates. ARfuels manages aspects of these risks by applying appropriate hedging strategies where considered necessary to protect budgeted margins. Both foreign currency and commodity hedges are used at times to manage our margins and protect against potential negative trends in short term commodity or foreign exchange movements.
- ARfuels use expert and independent advice when determining the hedging strategy required at any particular time. This enhances our ability to assess the prevailing and short-term financial markets in which we operate.
- On 23 August 2013 ARfuels received a statement of claim issued by Global Biofuels Trading Inc (GBTI). The claim alleges that in 2011 ARfuels repudiated an agreement for the purchase by ARfuels of palm sludge oil from GBTI. The amount of the claim is approximately $1.36m. ARfuels intends to vigorously defend the claim, but the costs of defending the claim and its outcome are inherently uncertain.

Business

- ARfuels is subject to the risk of not attracting, retaining and developing high calibre people who can continue the current and planned growth of the business. Whilst ARfuels is confident that the current infrastructure will support the retention and ongoing development of its staff, there is a risk of unplanned staff turnover.
- Revenue growth is a key risk and is mitigated by Management putting in place strategies and plans that when executed properly should provide the business with every chance to grow both its domestic and international markets. This risk remains a key focus of both Management and the Board.
- Access to sufficient and appropriately priced feedstock is a key risk monitored by ARfuels. Our view is that currently there is sufficient feedstock in the market to meet our demands and that feedstock pricing will remain at manageable levels.

Changes in state of affairs

There have been no significant changes in the state of affairs of the Group at the date of this report other than as already noted.

Subsequent events

Subsequent to year end ARfuels has received the full sale proceeds from the June 2013 export shipment.

On 23 August 2013 ARfuels received a statement of claim issued by GBTI. The claim alleges that in 2011 ARfuels repudiated an agreement for the purchase by ARfuels of palm sludge oil from GBTI. The amount of the claim is approximately $1.36m. ARfuels intends to vigorously defend the claim.

An Extraordinary General Meeting (EGM) was held on 26 August 2013 to vote on a proposed Share Consolidation. The proposed consolidation is for the conversion of every 100 fully paid ordinary Shares into 1 fully paid ordinary Share. This resolution was passed at that meeting.

Other than as already noted, there have been no significant subsequent events in the affairs of the Group at the date of this report.

Environmental regulations

The consolidated entity's operations are subject to environmental regulation under both Commonwealth and State legislation. There have been no significant known breaches of these regulations by the consolidated entity.

Dividends

No dividends have been paid or declared since the start of the year.

Shares under option or issued on exercise of options

Details of unissued shares or interests under option as at the date of this report:

Issuing entity	Number of shares under option	Class of shares	Exercise price of options at issue date	Exercise price post Entitlement Offer[(i)]	Expiry date of options
Australian Renewable Fuels Limited	190,000	Ordinary	10 cents	9.93 cents	22 September 2013
Australian Renewable Fuels Limited	10,500,000	Ordinary	2 cents	1.93 cents	30 September 2014
Australian Renewable Fuels Limited	45,000,000	Ordinary	3 cents	2.93 cents	15 December 2014
Australian Renewable Fuels Limited	57,500,000	Ordinary	3 cents	2.93 cents	28 February 2015
Australian Renewable Fuels Limited	40,000,000	Ordinary	4 cents	3.93 cents	15 March 2015
Australian Renewable Fuels Limited	15,000,000	Ordinary	4 cents	3.93 cents	30 November 2015
Total	**168,190,000**				

(i) The current respective option exercise prices of all the options in the above table were adjusted in accordance with Listing Rule 6.22.2 to reflect the discount of the offer price of 0.7 cents per share under the Entitlement Offer announced on 7 February 2013 to the average market price of the Company's shares during the 5 trading days ending on the day before the ex entitlements date.

There were no shares or interests issued during or since the end of the financial year as a result of the exercise of an option.

Indemnification of officers and auditors

The Company has entered into agreements to indemnify all the Directors and Officers named in this report against all liabilities to persons (other than the Company), which arise out of the Directors and Officers conduct unless the liability relates to conduct involving a lack of good faith or is otherwise prohibited by law. The Company has agreed to indemnify the Directors and Officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments
In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

The Company has not during or since the end of the year indemnified or agreed to indemnify an auditor of the Company against a liability incurred as auditor.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 29 to the financial statements.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in note 29 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

(i) all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and

(ii) none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Auditor's independence declaration

The auditor's independence declaration is included on page 27 of this report.

Directors' report – remuneration report

This remuneration report, which forms part of the Directors' report, sets out information regarding the remuneration of ARfuels' key management personnel for the financial year ended 30 June 2013.

The term 'key management personnel' is used in this remuneration report to refer to those persons having authority and responsibility for planning, directing and controlling the activities of ARfuels. Except as noted, the named key management personnel held their current position for the whole of the financial year and at the date of this report.

The prescribed details for each person covered by this report are detailed below under the following headings:

i. key management personnel details;
ii. principles of remuneration;
iii. relationship between the remuneration policy and Company performance;
iv. remuneration of key management personnel; and
v. key terms of service agreements.

i. Key management personnel details

The Directors and other key management personnel of the Company during or since the end of the financial year were:

Non-Executive Directors

- Philip Garling (Non-Executive Chairman)
- Michael Costello (Non-Executive Director)
- Deborah Page (Non-Executive Director)
- Julien Playoust (Non-Executive Director)

Executive Director

- Andrew White (Managing Director)

Other key management personnel

- Christopher Attwood (Chief Operating Officer)
- Michael Burgess (Chief Financial Officer)

There were no changes to key management personnel during or since the end of the financial year.

ii. Principles of remuneration

The Board policy for determining the nature and amount of key management personnel remuneration is agreed by the Board of Directors after review, approval and recommendation by the Remuneration Committee. The Managing Director's contract and remuneration is dealt with by the Board.

Compensation levels and structures for key management of the Company are competitively set to attract and retain appropriately qualified and experienced people and to reward the achievement of strategic objectives, and achieve the broader outcome of protecting and enhancing shareholder value. The compensation structures take into account the capability and experience of key management and the ability of key management to control areas of their respective responsibilities.

The Remuneration Committee has access to independent advice and uses market data to assess the appropriateness of compensation packages in the Company given trends in comparative companies, and the objectives of the Company's compensation strategy.

The principles used to determine the nature and amount of remuneration are as follows:

Alignment to shareholder interests:

i. level of achieved net profit is a key criteria;
ii. controllable financial drivers of the businesses including revenues, cash, margin, earnings per share, and capital management improvement are important criteria; and
iii. remuneration is set at a level to attract and retain high calibre executives.

Alignment to the key management interests:

i. rewards capability and experience;
ii. provides a clear structure for earning rewards; and
iii. provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short and long term incentives. In terms of long term incentives, as executives contribution increase they can be rewarded by gaining exposure to growth in the value of the Company through access to the Employee Share Option Plan.

Remuneration committee

The Board has established a Remuneration Committee which provides recommendations to the Board on remuneration and incentive policies and practices. The Committee provides specific recommendations on remuneration packages and other terms of employment for Executive Directors, other senior executives and Non-Executive Directors. The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Directors and senior executives on a periodic basis by reference to relevant employment market conditions with an overall objective of the retention of a high quality Board and Executive team.

Non-Executive Director remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the appropriate calibre.

The ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a General Meeting. As previously approved by shareholders, the approved maximum aggregate annual remuneration of Non-Executive Directors is currently $400,000. Each Non-Executive Director receives a fee for being a Director of the Company. The Chairman receives a fee of $110,000 per annum, and all other Non-Executive Directors receive a fee of $60,000 per annum. The Chair of the Audit and Risk Committee receives an additional $15,000 per annum whilst the Chair of the Remuneration Committee receives an extra $10,000 per annum. At the General Meeting on 7 March 2012, shareholders approved the issue of 40,000,000 options with an exercise price of 4 cents (exercise price post the Entitlement Offer completed on 14 March 2013 is 3.93 cents) to three Non-Executive Directors. At the 2012 Annual General Meeting a further 15,000,000 options with an exercise price of 4 cents (exercise price post the Entitlement Offer completed on 14 March 2013 is 3.93 cents) were approved to be issued to one Director by the shareholders. Option issues are detailed later in this report. Any future issue of new options will be subject to shareholder approval.

The amount of aggregate remuneration and the manner in which it is apportioned amongst Directors is reviewed annually. The Board can access independent advice and industry benchmarks on fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process. During the year no independent advice was obtained, however reference was made to public information. As a result a decision was made not to increase Non Executive Directors’ remuneration.

Executive pay

The Executive pay and reward framework has three components: base pay and benefits, including superannuation (which comprise the fixed remuneration); short term at risk variable performance incentives; and long term incentives through participation in the Company’s Employee Share Option Plan. The combination of these comprises an Executive’s total remuneration.

Remuneration is structured as a total employment cost package. Executives are offered a competitive base pay that comprises the fixed component of pay and at risk variable rewards. Base pay is set to reflect the market for a comparable role and is reviewed annually to ensure the Executive’s pay is competitive with the market. An Executive’s pay is also reviewed on promotion.

Fixed remuneration

Fixed remuneration is reviewed annually by the Remuneration Committee. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary.

Variable remuneration

The Company's variable remuneration comprises short term and long term incentives. The objective of the short term incentive program is to link the achievement of the Company's operational targets with the remuneration received by the executives charged with the responsibility of meeting those targets.

The short term incentives, comprised of annual cash bonuses, are paid if certain Key Performance Indicators (KPI's) are attained in the relevant period as approved by the Remuneration Committee and the Board. Long term incentives comprise equity instruments where the incentive involves the time-based vesting of options on the basis that the employee continues to be employed by the Company and is eligible under the Company's Employee Share Option Plan.

Actual payments granted to each senior manager depend on the extent to which specific operating targets or KPI's set at the beginning of the financial year are met and can also be awarded at the discretion of the Board of Directors.

The aggregate of annual payments available for executives across the Company is subject to the approval of the Remuneration Committee and the Board. Payments made are delivered as a cash bonus in the following reporting period or in the case of an equity component, it is pursuant to the employment contract terms and as approved by shareholders.

The Company rewards its management and executives by way of employee share options. The issue of options is not linked to performance conditions because by setting the option price at a level above the current share price at the time the options are granted provides incentive for management to improve the Company's performance.

Performance criteria

Performance criteria are linked to the short term incentive program through the setting of key performance indicators relevant to each management position. The performance criteria are set by the Board and may include, but are not limited to:

i. Financial and Operational targets linked to achievement of the Company's annual profit budgets as determined by the Board from time to time;
ii. Strategic initiatives that provide for specific opportunities to be presented to the board by management from time to time such as mergers and acquisitions that are value-accretive, and the successful implementation of those initiatives;
iii. Corporate development matters including employment, retention and remuneration of core personnel, leadership and succession, cultural development and communication activities; and
iv. Risk management, including management and monitoring of material business risks. This includes maintaining a sound framework and controls in regards to WHS and environmental issues.

iii. Relationship between the remuneration policy and Company performance

The achievement of Company strategic objectives is the key focus of the efforts of the Company. As indicated above, over the course of each financial year, the Board, through the Remuneration Committee reviews the Company's Executive remuneration policy to ensure the remuneration framework remains focused on driving and rewarding Executive performance, while being closely aligned to the achievement of Company strategic objectives and the creation of shareholder value.

Total Shareholder Return is normally measured by the movement in share price from the start to the end of each financial year and dividends paid. No dividends have been declared in the past five financial years or for the current financial year. As the Company remains in the growth phase of its life cycle, shareholder returns do not correlate with profits and/or losses reported in any of the recent financial years. Shareholder returns are more dependent on the future expectation of Company performance rather than Company earnings.

The table below sets out summary information regarding the Group earnings and movement in shareholder wealth for the five years to 30 June 2013.

	30 June 13	30 June 12	30 June 11	30 June 10	30 June 09
Revenue	58,592,368	39,173,694	6,426,355	2,867,263	2,006,498
Net profit/(loss) before tax	2,246,621	(7,235,793)	(8,128,336)	(3,356,922)	(6,269,779)
Net profit/(loss) after tax	2,246,621	(7,235,793)	(8,128,336)	(3,356,922)	(6,269,779)
Share price at start of year (cents)	1.1	2.2	1.1	1.2	2.6
Share price at end of year (cents)	0.8	1.1	2.2	1.1	1.2
Dividends paid (cents)	-	-	-	-	-
Gain/(loss) per share from continuing operations					
Basic (cents per share)	0.08	(0.34)	(0.71)	(0.53)	(1.93)
Diluted (cents per share)	0.08	(0.34)	(0.71)	(0.53)	(1.93)

iv. Remuneration of Directors and other key management personnel

		Short-term benefits				Post Employment	Equity (long term)		
		Salary & Fees $	Short term incentives $	Allowances $	Termination Payments $	Super-annuation $	Options expensed in year(i) $	Options as proportion of total remuneration %	Total $
Executive directors									
Andrew White	2013	330,000	290,000	12,000	-	29,700	70,764	9.7	**732,464**
Andrew White(ii)	2012	300,000	275,000	-	-	27,000	38,387	6.0	**640,387**
Tom Engelsman(iii)	2012	125,000	50,000	7,500	280,937	11,385	147,878	23.7	**622,700**
Non-executive directors									
Philip Garling	2013	110,000	-	-	-	-	26,687	19.5	**136,687**
Philip Garling	2012	79,425	-	-	-	-	8,408	9.6	**87,833**
Michael Costello	2013	55,046	-	-	-	4,954	26,687	30.8	**86,687**
Michael Costello	2012	50,000	-	-	-	5,061	8,408	13.2	**63,469**
Deborah Page	2013	68,807	-	-	-	6,193	8,710	10.4	**83,710**
Deborah Page(iv)	2012	21,169	-	-	-	1,905	-	-	**23,074**
Julien Playoust(v)	2013	70,000	-	-	-	-	17,791	20.3	**87,791**
Julien Playoust(v)	2012	55,000	-	-	-	-	5,605	9.2	**60,605**
Other key management personnel									
Christopher Attwood	2013	205,000	75,000	-	-	16,354	47,785	13.9	**344,139**
Christopher Attwood(vi)	2012	133,223	50,000	-	-	10,525	15,841	7.6	**209,589**
Michael Burgess	2013	200,000	75,000	-	-	16,354	35,839	11.0	**327,193**
Michael Burgess(vii)	2012	78,172	20,125	-	-	6,504	11,881	10.2	**116,682**
Stephan Scheffer(vii)	2012	87,498	20,000	-	223,091	17,063	-	-	**347,652**
	2013	**1,038,853**	**440,000**	**12,000**	**-**	**73,555**	**234,263**		**1,798,671**
	2012	**929,487**	**415,125**	**7,500**	**504,028**	**79,443**	**236,408**		**2,171,991**

(i) During the 2013 financial year 15,000,000 options were issued to key management personnel (2012: 120,000,000).

(ii) Andrew White was appointed as Managing Director on 1 July 2011. Andrew's Short Term Incentive comprises $225,000 as STI rewarded for 30 June 2012 (being 75% of his maximum annual STI entitlement), and $50,000 bonus attributable to the BPL acquisition.

(iii) Tom Engelsman resigned on 14 December 2011.

(iv) Deborah Page was appointed as Non-Executive Director on 21 March 2012.

(v) Paid via a company

(vi) Christopher Attwood was appointed as Chief Operating Officer on 1 November 2011.

(vi) Michael Burgess was appointed as Chief Financial Officer on 6 February 2012.

(vii) Stephan Scheffer resigned as Company Secretary on 11 August 2011 and departed as Chief Financial Officer on 11 January 2012.

Equity instruments - options (note 31)

During the financial year the Board of Directors approved and the Company issued 15,000,000 options to key management personnel. The holder of these options and unallocated shares entitle the holder to acquire one share by way of issue.

Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options granted as compensation to key management personnel) have been altered or modified by the issuing entity during the reporting period or prior period.

Analysis of options over equity instruments granted as compensation

Details of vesting profiles of the options granted as remuneration to each key management person of the Company are summarised in the table below.

	During the financial year				
Name	**Number granted**	**Number vested**	**Expensed in year $**	**Value of options granted at grant date (i), (ii) $**	**Value of options lapsed at the date of lapse (iii) $**
Directors					
Philip Garling	-	5,000,000	26,687	66,315	-
Andrew White	-	15,000,000	70,764	180,109	-
Michael Costello	-	5,000,000	26,687	66,315	-
Deborah Page	15,000,000	-	8,710	40,230	
Julien Playoust	-	3,333,333	17,791	117,725	-
Other key management personnel					
Chris Attwood	-	6,700,000	47,785	111,542	-
Michael Burgess	-	5,000,000	35,839	83,657	-

(i) The value of options granted is recognised in compensation on a straight line basis over the vesting period of the grant, in accordance with Australian accounting standards.

(ii) The fair value of the options at grant date was determined through the use of a Black-Scholes pricing model.

(iii) Value of options lapsing during the period due to the failure to exercise the options before the expiry date.

The options were provided during the financial year at no cost to the recipients. In general, upon vesting, the holder will be entitled to exercise their options and acquire one fully paid ordinary share in the Company for each option. 2.93 cents is payable upon exercise of each option by other Key Management personnel and 3.93 cents is payable upon exercise of each option by Non-Executive Directors. During the year, 4,150,000 options expired or lapsed in accordance with the respective Employee Services Agreements and or the Employee Share Option Plan.

During the year no Key Management personnel or Directors exercised any options that were granted to them as part of their compensation.

Including the share-based payments granted during the year as set out above, the details of all share-based payment arrangements in existence for key management during the current and comparative reporting periods are summarised below.

Option series grant date	Number of options	Expiry date	Exercise price at issue date	Exercise price post Entitlement Offer	Fair value at grant date
November 2009	5,000,000	September 2014	2 cents	1.93 cents	1 cent
December 2011	45,000,000	December 2014	3 cents	2.93 cents	1 cent
March 2012	35,000,000	February 2015	3 cents	2.93 cents	1 cent
March 2012	40,000,000	March 2015	4 cents	3.93 cents	1 cent
December 2012	15,000,000	November 2015	4 cents	3.93 cents	1 cent

v. Key terms of service agreements

The remuneration and other terms of employment for the Managing Director and Key Management are formalised in service agreements. Each of these agreements makes provision for a fixed remuneration component, a short-term cash incentive and options as a long-term incentive. The material terms of the service agreements are set out below.

Term	Position	Conditions
Duration of contract	Managing Director and key management	3 years
Voluntary termination by Executive	Managing Director	6 months' notice
	Key management	6 months' notice
Termination by Company: Without cause:	Managing Director	12 months' notice
	Key management	6 months' notice
With cause:	Managing Director and key management	Employment may be terminated immediately without notice if the Executive commits any act or omission justifying summary dismissal at common law

Signed in accordance with a resolution of the Directors made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors

Philip Garling
Chairman
Melbourne, 29 August 2013

Corporate governance statement

The Board of Directors of Australian Renewable Fuels Limited (the Company) is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of Australian Renewable Fuels Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the Company's compliance with the ASX Corporate Governance Council's Principles and Recommendations.

Principles and Recommendations		Compliance
Principle 1 – Lay solid foundations for management and oversight		
1.1	Establish the functions reserved to the Board of Directors (Board) of the Company and those delegated to manage and disclose those functions.	The Board is responsible for the overall corporate governance of the Company. The Board has adopted a Board charter that formalises its roles and responsibilities and defines the matters that are reserved for the Board and specific matters that are delegated to management. The Board has adopted a Delegations of Authority that sets limits of authority for senior executives. The Board's role is to ensure the following Key Objectives of the Company are met: a. increase long term value for shareholders through the achievement of business objectives and financial targets within an appropriate framework which safeguards the rights and interests of the Company's shareholders; and b. ensure the Company is properly managed. (**Key Objectives**) The Board has reserved the following matters for its decision: a. appointments to the position of MD and approval of the appointment of executives reporting to the MD; b. approval of strategy and annual budgets; c. determination of capital and non-capital items in accordance with the Delegations Policy; and d. determinations and adoption of documents (including the publication of reports and statements to shareholders) that are required by the Company's constitutional documents, by statute or by other external regulation. Subject to the limitations imposed by the Company's constitutional documents, statute and other external regulation, the Board remains free to alter the matters reserved for its decision. Beyond the items referred to above, the Board delegates to the MD all authority to achieve the Key Objectives. The MD is free to take all decisions and actions which further the Key Objectives, and which in his or her judgement are reasonable having regard to the Delegations Policy. On appointment of a Director, the Company issues a letter of appointment setting out the terms and conditions of their appointment to the Board.
1.2	Disclose the process for evaluating the performance of senior executives.	Senior executives prepare strategic objectives that are reviewed and signed off by the Board. These objectives must then be met by senior executives as part of their key performance targets. The Managing Director (MD) then reviews the performance of the senior executives against those objectives. The Board evaluates the MD's contribution to the Company's key objectives. These reviews occur annually.
1.3	Provide the information indicated in *Guide to reporting on Principle 1.*	The Board charter is available on the Company's website and is summarised in this Corporate Governance Statement. The Board conducted a performance evaluation for senior executives in the financial year. Evaluation of the MD was completed subsequent to 30 June 2013.

Principle 2 – Structure the Board to add value		
2.1	A majority of the Board should be independent directors.	The majority of the Board's directors are considered independent. The Board considers Directors to be independent where they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgment. The Board has adopted a definition of independence based on that set out in Principle 2 of the ASX Corporate Governance Council Principles and Recommendations. In addition, a Directors' Independence Policy has been established. The Board will review the independence of each Director in light of interests disclosed to the Board from time to time. In accordance with the definition of independence above, and the materiality thresholds set, the following Directors of Australian Renewable Fuels Limited are considered to be independent: **Name** — **Position** Philip Garling — Non-Executive Director, Chairman Michael Costello — Non-Executive Director Deborah Page — Non-Executive Director Andrew White is not considered to be an independent director due to his role as Managing Director. Julien Playoust is not considered to be an independent director due to his interest as a substantial shareholder of the Company.
2.2	The Chair should be an independent director.	Philip Garling is an independent Non-Executive Director of the Board.
2.3	The roles of Chair and Managing Director should not be exercised by the same individual.	Philip Garling is the Chairman and Andrew White is the Managing Director of the Company.
2.4	The Board should establish a nomination committee.	The Nomination Committee is comprised of the full Board of Directors. The Board considers the current mix of skills and experience of members of the Board and its senior management is sufficient to meet the requirements of the Company. The Board supports the nomination and re-election of the directors at the Company's forthcoming Annual General Meeting.
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	The Board will conduct performance evaluations of the Board as a whole, its Committees, the Chairman, individual Directors, and the governance processes which support Board work since the date of last year's report. The Board's induction program provides incoming directors with information that will enable them to carry out their duties in the best interests of the Company.
2.6	Provide the information indicated in the *Guide to reporting on Principle 2.*	Members of the Board are able to take independent professional advice at the expense of the Company. In accordance with the information suggested in *Guide to Reporting on Principle 2*, the Company has disclosed full details of its Directors in the Directors' Report attached to this Annual Report including each individual's skills, experience, expertise and their term of office. Other disclosure material on the Structure of the Board has been made available on the Company's website.
Principle 3 – Promote ethical and responsible decision making		
3.1	Establish a code of conduct and disclose the code or a summary of the code.	The Board has adopted a code of conduct. The code establishes a clear set of values that emphasise a culture encompassing strong corporate governance, sound business practices and good ethical conduct. The code is available on the Company's website.

Principle 3 – Promote ethical and responsible decision making		
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and to assess annually both the objectives and progress in achieving them.	The Board has undertaken a review of the mix of skills and experience on the Board in light of the Company's principal activities and direction. The Company has adopted a Diversity Policy that considers the benefits of diversity which is available on the Company's website.
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	The Board supports diversity of employees with differing skills, values and backgrounds and experiences, and will continue to employ staff on their merits and on a fit for purpose basis. The Company has not yet adopted a set of targets or measureable objectives for the representation of women in senior positions and the Board.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	However, as a measurement of gender diversity, the proportion of women employees in the consolidated entity as at 30 June 2013 are as follows: Women on the Board: 20% (2012: 20%) Women in senior executive roles: 0% (2012: 0%) Women in management position: 0% (2012: 0%) Women in the organisation: 13.5% (2012: 10%)
3.5	Provide the information indicated in *Guide to reporting on Principle 3.*	In accordance with the information suggested in *Guide to Reporting on Principle 3*, this Corporate Governance Statement does not include a statement of the measurable objectives for achieving gender diversity and as such does not meet the best practice recommendations. However, the Board reviews annually the Company's progress against the objectives of its Diversity Policy.
Principle 4 – Safeguard integrity in financial reporting		
4.1	The Board should establish an audit committee.	The Board has established an Audit Committee to focus on issues relevant to the integrity of the Company's financial reporting and provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial statements.
4.2	The audit committee should be structured so that it consists of only non-executive directors, a majority of independent directors, is chaired by an independent chair who is not chair of the Board and have at least 3 members.	▪ The Committee has four members, three of which are independent non-executive directors. ▪ Deborah Page, an independent Non-Executive Director, is the Chair.
4.3	The audit committee should have a formal charter.	The Board has adopted an Audit Committee charter.

Principle 4 – Safeguard integrity in financial reporting		
4.4	Provide the information indicated in *Guide to reporting on Principle 4.*	In accordance with the information suggested in *Guide to Reporting on Principle 4*, the Company has disclosed full details of its Directors in the Directors' Report attached to this Annual Report including each director's qualifications, their membership of the committee, number of meetings held and attendance at Audit Committee meetings. The Audit Committee meets at least twice per annum. The members of the Audit Committee are appointed by the Board and recommendations from the committee are presented to the Board for further discussion and resolution. The Audit Committee charter contains information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners (which is determined by the Audit Committee); and is available on the Company's website.
Principle 5 – Make timely and balanced disclosure		
5.1	Establish written policies designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company has adopted a Communications and Continuous Disclosure policy to ensure that it complies with the continuous disclosure regime under the ASX Listing Rules and the Corporations Act 2001.
5.2	Provide the information indicated in the *Guide to reporting on Principle 5.*	In accordance with the information suggested in *Guide to Reporting on Principle 5*, the Company's Communications and Continuous Disclosure policy is available on the Company's website.
Principle 6 – Respect the rights of shareholders		
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.	The Company has adopted shareholder communications protocols which are contained in the Communications and Continuous Disclosure policy. The Company uses its website (www.arfuels.com.au), annual report, market disclosures and media announcements to communicate with its shareholders, as well as encourages participation at general meetings.
6.2	Provide the information indicated in the *Guide to reporting on Principle 6.*	In accordance with the information suggested in *Guide to Reporting on Principle 6*, the Company's Communications and Continuous Disclosure policy is available on the Company's website.
Principle 7 – Recognise and manage risk		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of these policies.	Ultimate responsibility for risk oversight and risk management rests with the Board and risk management issues are considered at every board meeting.
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	The Company has identified key risks within the business. In the ordinary course of business, management monitor and manage these risks. Key operational and financial risks are presented to and reviewed by the Board at each Board meeting.

Principle 7 – Recognise and manage risk		
7.3	The Board should disclose whether it has received assurance from the Managing Director and Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	The Board has received a statement from the Managing Director and Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.
7.4	Provide the information indicated in *Guide to reporting on Principle 7.*	A full policy will be completed during the year and as such the Company does not fully meet the best practice recommendations in this regard. The Company has identified key risks within the business and has received a statement of assurance from the Managing Director and Chief Financial Officer.
Principle 8 – Remunerate fairly and responsibly		
8.1	The Board should establish a remuneration committee.	The Board has established a Remuneration Committee.
8.2	The remuneration committee should be structured so that it consists of a majority of independent directors; is chaired by an independent chair and has at least three members.	▪ The Committee has four members, three of which are independent non-executive directors. ▪ Julien Playoust, a Non-Executive Director, is the Chair.
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The Company complies with the guidelines for executive and non-executive director remuneration, details of which are included in the Remuneration Report contained within this Annual Report. No senior executive is involved directly in deciding their own remuneration.
8.4	Provide the information indicated in *the Guide to reporting on Principle 8.*	The Remuneration Committee charter is available on the Company's website. The Company does not have any schemes for retirement benefits other than superannuation for non-executive directors. In accordance with the information suggested in *Guide to Reporting on Principle 8*, the Company has disclosed full details of its Directors in the Directors' Report attached to this Annual Report including each director's qualifications, their membership of the committee, number of meetings held and attendance at Remuneration Committee meetings.

ARfuels' corporate governance practices were in place for the financial year ended 30 June 2013 and to the date of signing the Directors' Report.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by ARfuels, refer to our website: www.arfuels.com.au

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The Board of Directors
Australian Renewable Fuels Limited
Level 5, 409 St Kilda Road
MELBOURNE VIC 3004

29 August 2013

Dear Board Members

Australian Renewable Fuels Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Australian Renewable Fuels Limited.

As lead audit partner for the audit of the financial statements of Australian Renewable Fuels Limited for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely,

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ian Sanders

Ian Sanders
Partner
Chartered Accountant

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2013

	Note	2013 $	2012 $
Revenue from operations	3	58,592,368	39,173,694
Cost of goods sold		(41,379,823)	(33,872,312)
Gross profit		17,212,545	5,301,382
Direct costs		(5,558,400)	(3,858,696)
Corporate and administration expenses		(3,955,623)	(2,870,083)
Staff costs		(3,005,244)	(3,013,175)
Other revenue	3	1,169,360	904,240
Finance income	3	22,393	87,211
Depreciation and amortisation expenses	4	(1,722,897)	(2,355,295)
Finance costs	5	(1,915,513)	(1,431,377)
Profit/(loss) before tax		2,246,621	(7,235,793)
Income tax (expense)	6	-	-
Profit/(loss) for the year		**2,246,621**	**(7,235,793)**
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:		-	-
		-	-
Items that may be reclassified subsequently to profit or loss:			
Exchange reserve arising on translation of foreign operations		-	(810)
Reclassification adjustments relating to foreign operations disposed of in the year		469,371	-
		469,371	(810)
Other comprehensive income for the year net of income tax		469,371	(810)
Total comprehensive income for the year		**2,715,992**	**(7,236,603)**
Profit for the year attributable to:			
Owners of the parent		2,302,590	(7,172,844)
Non-controlling interests	20	(55,969)	(63,759)
		2,246,621	(7,236,603)
Total comprehensive income attributable to:			
Owners of the parent		2,771,961	(7,172,844)
Non-controlling interests	20	(55,969)	(63,759)
		2,715,992	(7,236,603)
Earnings per share			
From continuing operations:			
Basic (cents per share)	30	0.08	(0.34)
Diluted (cents per share)	30	0.08	(0.34)

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position
at 30 June 2013

	Note	2013 $	2012 $
Current assets			
Cash and cash equivalents	24	2,057,755	1,981,163
Trade and other receivables	7	4,135,122	4,067,325
Inventories	8	10,795,407	3,255,265
Other	9	5,455,297	2,595,245
Total current assets		**22,443,581**	**11,898,998**
Non-current assets			
Property, plant and equipment	10	32,308,200	33,529,391
Other	11	636,986	678,901
Total non-current assets		**32,945,186**	**34,208,292**
Total assets		**55,388,767**	**46,107,290**
Current liabilities			
Bank overdraft	15,24	-	5,862,547
Bank working capital facilities	15,24	4,211,911	-
Trade and other payables	12	10,723,480	11,335,568
Provisions	13	329,238	302,389
Amounts payable on acquisition	16	699,000	4,142,875
Total current liabilities		**15,963,629**	**21,643,379**
Non-current liabilities			
Amounts payable on acquisition	16	1,301,000	1,301,000
Provisions	13	168,715	123,860
Convertible notes	14	13,916,257	13,650,000
Total non-current liabilities		**15,385,972**	**15,074,860**
Total liabilities		**31,349,601**	**36,718,239**
Net assets		**24,039,166**	**9,389,051**
Equity			
Issued capital	17	135,944,302	124,176,890
Reserves	18	2,151,218	1,515,136
Accumulated losses	19	(113,798,508)	(116,101,098)
Equity attributable to owners of the company		24,297,012	9,590,928
Non-controlling interests	20	(257,846)	(201,877)
Total equity		**24,039,166**	**9,389,051**

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity
for the year ended 30 June 2013

	Issued capital and contributed equity $	Employee share option reserve $	Foreign currency translation reserve $	General options reserve $	Other reserve $	Accumulated profits/ (losses) $	Attributable to owners of the parent $	Non-controlling interests $	Total $
Balance at 1 July 2011	**114,576,984**	**611,428**	**(468,561)**	**3,615,171**	**250,000**	**(108,929,064)**	**9,655,958**	**(138,118)**	**9,517,840**
Movement in foreign exchange values	-	-	(810)	-	-	-	(810)	-	(810)
Profit/(loss) for the period	-	-	-	-	-	(7,172,034)	(7,172,034)	(63,759)	(7,235,793)
Total comprehensive income for the period	-	-	(810)	-	-	(7,172,034)	(7,172,844)	(63,759)	(7,236,603)
Shares issued during the period	272,000	-	-	-	-	-	272,000	-	272,000
Recognition of share-based payments	-	267,373	-	-	-	-	267,373	-	267,373
Advances from GBTI	-	-	-	-	1,750,000	-	1,750,000	-	1,750,000
Advances from GBTI converted to equity	913,981			1,086,019	(2,000,000)		-	-	-
Exercise of options	8,542,077	-	-	(3,595,484)	-	-	4,946,593	-	4,946,593
Share issue costs	(128,152)	-	-	-	-	-	(128,152)	-	(128,152)
Balance at 30 June 2012	**124,176,890**	**878,801**	**(469,371)**	**1,105,706**	**-**	**(116,101,098)**	**9,590,928**	**(201,877)**	**9,389,051**
Balance at 1 July 2012	**124,176,890**	**878,801**	**(469,371)**	**1,105,706**	**-**	**(116,101,098)**	**9,590,928**	**(201,877)**	**9,389,051**
Movement in foreign exchange values	-	-	-	-	-	-	-	-	-
Profit/(loss) for the period	-	-	-	-	-	2,302,590	2,302,590	(55,969)	2,246,621
Total comprehensive income for the period	-	-	-	-	-	2,302,590	2,302,590	(55,969)	2,246,621
Shares issued during the period	12,279,663	-	-	-	-	-	12,279,663	-	12,279,663
Recognition of share-based payments	-	166,711	-	-	-	-	166,711	-	166,711
Share issue costs	(512,251)	-	-	-	-	-	(512,251)	-	(512,251)
Reallocation of general options reserve	-	-	-	(1,105,706)	1,105,706	-	-	-	-
Movement in foreign currency translation reserve on dissolution of foreign entity	-	-	469,371	-	-		469,371	-	469,371
Balance at 30 June 2013	**135,944,302**	**1,045,512**	**-**	**-**	**1,105,706**	**(113,798,508)**	**24,297,012**	**(257,846)**	**24,039,166**

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows
for the year ended 30 June 2013

	Note	2013 $	2012 $
Cash flows from operating activities			
Receipts from customers		60,198,982	44,086,649
Receipts from R&D grant		-	868,483
Payments to suppliers and employees		(65,207,134)	(45,980,721)
Interest paid		(1,204,571)	(506,220)
Net cash provided by / (used in) operating activities	24	(6,212,723)	(1,531,809)
Cash flows from investing activities			
Interest received		22,393	91,490
Payments for plant and equipment		(417,879)	(3,594,971)
Deferred consideration on acquisition	16	(3,443,875)	-
Net overdraft acquired on acquisition		-	(9,181,245)
Net cash provided by / (used in) investing activities		(3,839,361)	(12,684,726)
Cash flows from financing activities			
Proceeds from issue of shares		12,279,663	5,133,403
Advances from GBTI		-	1,685,000
Payments for share issue costs		(512,251)	-
Finance lease payments		-	(10,805)
Net cash provided by financing activities		11,767,412	6,807,598
Net increase / (decrease) in cash and cash equivalents		1,715,328	(7,408,937)
Cash and cash equivalents at the beginning of the period		(3,881,384)	3,528,363
Effect of movement in exchange rates on cash balances		11,900	(810)
Cash and cash equivalents at the end of the period	24	**(2,154,156)**	**(3,881,384)**

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

1. Significant accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group.

The financial report has been prepared in accordance with Accounting Standards and Interpretations. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS').

For the purposes of preparing the financial statements, the Company is a for-profit entity.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Group has retained the presentation and classification of items in the financial statements from one period to the next unless:

i. it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in AASB 108; or
ii. an Australian Accounting Standard requires a change in presentation.

The financial statements were authorised for issue by the Directors on 29 August 2013.

Going concern

For the year ended 30 June 2013, the consolidated entity produced a Net Profit After Tax of $2,246,621 (2012: Net Loss After Tax of $7,235,793) and a net cash outflow from operating activities of $6,212,723 (2012: net cash outflow from operating activities of $1,531,809). As at 30 June 2013 current assets exceeded current liabilities by $6,479,952. At 30 June 2013, there were no breaches of the prevailing bank covenants.

This is a materially improved position from that noted for the financial year ended 30 June 2012. The profit result recorded for the year, the successful $4.2 million share placement and the fully underwritten share entitlement offer of $8.1 million, together with the working capital facilities provided by a new banking partner provides clear evidence of the improved financial position of ARfuels.

At the date of this report and having considered the above factors, the Directors believe that the consolidated entity will be able to continue as a going concern.

Critical accounting estimates and judgements

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key critical accounting estimates and judgments are:

Valuation of Convertible Notes
At each reporting date, the Group reviews the valuation or Fair Value of the Debt and Embedded Derivative components of the Convertible Note. The valuation at Reporting Date of the Embedded Derivative component is compared to the valuation at inception date. Any negative or positive movement against the valuation at inception date is noted as an Unrealised Gain or Unrealised Loss on valuation at Reporting Date and is posted to the Profit and Loss. The Fair Value assessment includes estimation of the probability of the Notes being converted to equity and of the repayment of the Notes on or before maturity.

Impairment of tangible assets
At each reporting date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

The determination of fair value and value in use requires management to make estimates and assumptions about items such as expected production and sales volumes, prices, capacity, operating costs and discount rates. These estimates are subject to uncertainty and changes to these factors would impact the recoverable amount of the assets.

Useful lives of tangible assets
The Group reviews the useful lives, depreciation method and estimated residual value of all tangible assets at the end of the reporting period.

Share-based payments
The Group measures the cost of equity settled share-based payments at fair value at the grant date using an appropriate valuation model taking into account the terms and conditions upon which the instruments were granted and expected vesting period.

Employee entitlements
Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at balance date:

- Future increases in wages and salaries;
- Future on cost rates; and
- Experience of employee departures and period of service.

Inventories
The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell which approximates fair value less costs to sell. The key assumptions require the use of management judgement and are reviewed annually. These key assumptions are the variables affecting the estimated costs to sell and the expected selling price. Any reassessment of costs to sell or selling price in a particular year will affect the costs of goods sold.

Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements.

Standards affecting presentation and disclosure

Amendments to AASB 101 ‘Presentation of Financial Statements’

The amendment (part of AASB 2011-9 ‘Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income’ introduce new terminology for the statement of comprehensive income and income statement.

Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

AASB 1054 ‘Australian Additional Disclosures’ AASB 2011-1 ‘Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project’ and AASB 2011-2 ‘Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements’

AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are in addition to IFRSs in areas such as compliance with Australian Accounting Standards, the nature of financial statements (general purpose or special purpose), audit fees, imputation (franking) credits and the reconciliation of net operating cash flow to profit (loss).

Standards and Interpretations affecting the reported results or financial position

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

Standards and interpretations in issue, not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2015	30 June 2016
AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2012-2 'Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities'	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle'	1 January 2013	30 June 2014
AASB 2012-10 'Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments'	1 January 2013	30 June 2014

The potential effect of the revised standards and interpretations on the financial statements has not yet been determined.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). A controlled entity is any company in which Australian Renewable Fuels Limited has the power to control the financial and operating policies of the entity so as to obtain benefits from its activities.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Company.

(b) Borrowing costs

All borrowing costs, except to the extent that they are directly attributable to the acquisition, construction or production of qualifying assets, are recognised in profit or loss in the period in which they are incurred.

(c) Cash and cash equivalents

Cash comprises cash on hand, cash at call, short-term deposits and cash in secured fixed term deposits held as security for the provision of bank guarantees. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(d) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

(e) Financial assets

Investments are recognised and derecognised on trade date where the purchase order or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Company financial statements.

Other financial assets are classified in the following categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

At fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial Instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's investment strategy. Upon initial recognition, the attributable transaction costs are recognised in profit or loss when incurred. Financial instruments that are at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Available-for-sale financial assets

Listed investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses are recognised as a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest rate method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss (FVTPL), are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

(f) Financial liabilities and equity instruments issued by the Company

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments. Borrowings are classified as Financial Liabilities measured at amortised cost.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

(g) Foreign currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Australian Renewable Fuels Limited, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the foreign exchange reserve in the period in which they arise.

(h) Impairment of tangible and intangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of the asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(i) Income taxes

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the statement of financial position liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

Australian Renewable Fuels Limited and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation. Current and deferred tax amounts are accounted for in each individual entity as if each entity continued to act as a taxpayer in its own right.

(j) Inventories

Inventories of consumable supplies and spare parts are valued at lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(k) Buildings and property, plant and equipment

Buildings and property, plant and equipment

Buildings and property, plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The depreciation rates used for each class of depreciable assets are:

Buildings	40 years
Vehicles	8 years
Furniture, fittings and office equipment	7 years
Computer hardware and manufacturing equipment	4 years
Computer software	2.5 years
Manufacturing plant	25 years
Laboratory equipment	10 years

(l) Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses (where applicable). Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

(m) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal Group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

(n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(o) Revenue

Revenue is measured at the fair value of the consideration received or receivable, and is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

i. the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
ii. the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
iii. the amount of revenue can be measured reliably;
iv. it is probable that the economic benefits associated with the transaction will flow to the entity; and
v. the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest revenue

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount at initial recognition.

Research and development tax concession revenue

The Australian Federal Government provides the Research and Development Tax Concession scheme which is a broad-based tax concession scheme which allows companies to deduct certain levels of qualifying expenditure incurred on research and development activities in the calculation of their tax obligations. For small companies which satisfy certain turnover and expenditure based criteria, a facility is also provided whereby the concession, which would otherwise be included within their carried-forward tax losses, can be paid in a cash refund. The Group had qualified for this treatment and received a payment during the year ended 30 June 2012. The payment was recognised as revenue at that point.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates unless there are specific performance conditions which must be met before the loan will convert into a grant, in which case the unconverted portion of the loan will be treated as a loan.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government assistance which does not have conditions attached specifically relating to the operating activities of the entity is recognised in accordance with the accounting policies above.

(p) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST'), except:

i. where the amount of GST incurred is not recoverable from the Australian Taxation Office, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables with are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Authority is classified as operating cash flows.

(q) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in note 31.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(r) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(s) Lease payments

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2. Segment information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of performance is focused on three key reportable segments. Specifically, the Group's reportable segments under AASB 8 are as follows:

i. Western Australia – Biodiesel Plant located at Picton
ii. South Australia – Biodiesel Plant located at Largs Bay
iii. Victoria – Biodiesel Plant located at Barnawartha

The accounting policies of the reportable segments are the same as the Group's accounting policies.

(i) Revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Segment revenue		Segment result	
	2013 $	2012 $	2013 $	2012 $
Continuing operations				
Western Australia	541,499	1,448,994	(1,430,855)	(1,524,802)
South Australia	4,866,576	9,635,681	2,600,881	(1,505,142)
Victoria	53,184,293	28,089,019	7,397,657	1,151,373
Total of all segments	**58,592,368**	**39,173,694**	**8,567,683**	**(1,878,571)**
Corporate			(4,427,942)	(4,013,056)
Interest revenue			22,393	87,211
Finance costs			(1,915,513)	(1,431,377)
Profit / (loss) before tax			**2,246,621**	**(7,235,793)**

The revenue reported above represents the revenue generated from external customers. Segment revenue for South Australia includes final settlement for the Business Interruption insurance claim. This amount was offset by expenses incurred during the year to keep the plant in good repair and for additional increased costs of running the plant.

Segment result represents the profit or loss incurred by each segment without the allocation of corporate costs, interest revenue, finance costs, income tax expense and inter-segment transactions. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

(ii) Segment assets and liabilities

	Segment assets		Segment liabilities	
	2013 $	2012 $	2013 $	2012 $
Continuing operations				
Western Australia	6,359,181	4,963,371	2,369,475	169,268
South Australia	12,611,461	4,124,127	1,962,662	1,339,466
Victoria	34,913,886	29,958,269	8,775,658	10,932,038
Segment Total	**53,884,528**	**39,045,767**	**13,107,795**	**12,440,772**
Unallocated	1,504,239	7,061,523	18,241,806	24,277,467
	55,388,767	**46,107,290**	**31,349,601**	**36,718,239**

(iii) Other segment information

	Depreciation & amortisation		Additions to non-current assets	
	2013	2012	2013	2012
	$	$	$	$
Western Australia	357,047	521,382	90,933	101,791
South Australia	217,999	371,611	76,640	2,671,189
Victoria	1,044,692	1,366,802	245,183	697,838
Unallocated	103,159	95,500	47,035	103,877
	1,722,897	**2,355,295**	**459,791**	**3,574,695**

3. Revenue

The following is an analysis of the Group's revenue for the year from continuing operations.

	2013	2012
	$	$
(a) Revenue from continuing operations	**58,592,368**	**39,173,694**
(b) Finance income		
Bank interest received	**22,393**	**87,211**
(c) Other revenue		
Grant income	50,000	-
Unrealised gain on valuation of derivative (note 14)	1,100,000	-
Research and development tax credit	-	868,483
Foreign exchange gains/(losses)	588	-
Other	18,772	35,757
Total other revenue	**1,169,360**	**904,240**

4. Depreciation and amortisation

	2013	2012
	$	$
Property, plant and equipment	1,680,982	2,313,176
Intangible assets	-	90
Other assets	41,915	42,029
	1,722,897	**2,355,295**

5. Finance costs

	2013 $	2012 $
Other	27,286	-
Interest on working capital facility	404,040	525,107
Interest on convertible notes	1,484,187	906,270
Total finance costs	**1,915,513**	**1,431,377**

The weighted average interest rate on borrowed funds is 8.9% (2012: 9.5%).

6. Income taxes

	2013 $	2012 $
Deferred tax benefit/(expense) relating to the origination and reversal of temporary timing differences and tax losses	-	-
Total tax benefit/(expense)	**-**	**-**

The prima facie income tax expense on pre-tax accounting profit/(loss) from operations reconciles to the income tax expense in the financial statements as follows:

	2013	2012
Accounting profit/(loss) before income tax	2,246,621	(7,235,793)
Income tax expense/(benefit) calculated at 30%	673,986	(2,170,738)
Effect of expenses that are not deductible in determining taxable income	175,918	138,234
Effect of temporary differences not recognised	(1,338,084)	(443,978)
Effect of tax losses not recognised	438,167	2,556,694
Share based payments and impairment charges	50,013	(80,212)
Income tax credit recognised in profit or loss	**-**	**-**

Unrecognised deferred tax balances

	2013	2012
The following deferred tax assets have not been recognised:		
- deductible temporary differences	7,165,971	10,446,065
- tax losses	24,993,306	19,413,986
	32,159,277	**29,860,051**

Recognised deferred assets and tax liabilities

	2013	2012
The following deferred tax balances have been recognised:		
Deferred tax assets		
- Provisions	342,142	3,313
- Fixed assets	1,162,631	-
- Other assets	-	-
Deferred tax liabilities		
- Derivatives	(333,570)	
- Accrued income	(1,170,000)	-
- Prepayments	(1,203)	(3,313)
	-	**-**

Tax consolidation

Australian Renewable Fuels Limited and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation. The accounting policy for the implementation of the tax consolidation legislation is set out in Note 1(i). Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

The entities in the tax consolidated group entered into a tax sharing agreement on adoption of the tax consolidation legislation which, in the opinion of the Directors, limits the joint and several liability of the controlled entities in the case of a default by the head entity, Australian Renewable Fuels Limited.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' inter-company accounts with the tax consolidated group head company Australian Renewable Fuels Limited. The difference between the current tax amount that is allocated under the tax funding agreement and the amount that is allocated under an acceptable method is recognised as a contribution/distribution of the subsidiaries' equity accounts. The Group has applied the Group allocation approach in determining the appropriate distribution of current taxes to allocate to members to the tax consolidation Group.

7. Trade and other receivables

	2013	2012
	$	$
Trade receivables	3,898,209	3,893,907
Provision for impairment of doubtful debts	(195,851)	(13,168)
GST/Excise receivables	432,764	169,586
Other debtors	-	17,000
	4,135,122	**4,067,325**
Aging of past-due but not impaired receivables		
90 -150 days	129,943	413,853
	129,943	**413,853**

Trade receivables are non-interest bearing and are generally on 7 to 30 day terms. An allowance is made when there is objective evidence that a trade receivable is impaired.

8. Inventories

	2013	2012
	$	$
Raw materials – at cost	1,767,969	846,044
Consumables – at cost	903,658	275,683
Finished goods – at cost	4,792,615	-
Finished goods – at net realisable value	2,871,695	1,668,546
By products – at cost	39,963	53,570
Spare parts – at cost	419,507	411,422
	10,795,407	**3,255,265**

9. Other current assets

	2013 $	2012 $
Prepaid rent	62,758	76,212
Prepaid insurance	906,972	452,839
Prepayment for raw materials	52,840	556,164
Prepaid lease on Picton land (note 11)	41,914	41,914
Insurance proceeds receivable	4,359,933	941,084
Other	30,880	527,032
	5,455,297	**2,595,245**

10. Property, plant and equipment

	Freehold land and buildings $	Plant and equipment at cost $	Total $
Gross carrying amount			
Balance at 1 July 2011	-	**12,407,526**	**12,407,526**
Additions	-	3,574,695	3,574,695
Disposals	-	(2,985)	(2,985)
Write down due to fire damage to Larg's Bay	-	(3,382,000)	(3,382,000)
Acquisition of BPL	3,899,535	23,346,608	27,246,143
Balance at 1 July 2012	**3,899,535**	**35,943,844**	**39,843,379**
Additions	-	459,791	459,791
Balance at 30 June 2013	**3,899,535**	**36,403,635**	**40,303,170**
Accumulated depreciation			
Balance at 1 July 2011	-	**(7,194,540)**	**(7,194,540)**
Depreciation expense (note 4)	-	(2,313,176)	(2,313,176)
Disposal	-	1,728	1,728
Write down due to fire damage to Larg's Bay	-	3,192,000	3,192,000
Balance at 1 July 2012	**-**	**(6,313,988)**	**(6,313,988)**
Depreciation expense (note 4)	-	(1,680,982)	(1,680,982)
Balance at 30 June 2013	**-**	**(7,994,970)**	**(7,994,970)**
Net book value			
As at 30 June 2012	3,899,535	29,629,856	33,529,391
Balance at 30 June 2013	**3,899,535**	**28,408,665**	**32,308,200**

11. Other non-current assets

	2013 $	2012 $
Prepaid lease on Picton land[(i)]	636,986	678,901
	636,986	**678,901**

(i) In the 2010 financial year, the Group entered into an agreement for the sale of its Picton land to Kingslane Pty Limited for a total consideration of $3,000,000 and agreed to lease back a portion of the land (approximately 25% of the total property) for a fixed fee of $838,290 (included stamp duty of $58,290) paid up front.

12. Trade and other payables

	2013 $	2012 $
Current:		
Trade payables[(i)]	7,205,676	7,647,290
WA Government grant[(ii)]	250,000	300,000
Insurance premium funding	813,001	361,903
Accrued costs	2,245,712	2,382,082
Insurance damages claims received in advance	-	427,143
Other payables	209,091	217,150
	10,723,480	**11,335,568**

(i) Trade payables are non-interest bearing and are normally settled on 0-60 day terms.

(ii) The WA Government advance is convertible to a grant when certain performance conditions are met. The Government advance was awarded in 2005 with a convertible period of 5 years. The advance is non-interest-bearing and any unconverted and outstanding amounts as at June 2012 were repayable at that time. The Group is still in discussions with the WA Government on conditions to be satisfied to convert the balance of the advance. In the 2013 financial year $50,000 was converted to a grant based on achievement of prior conditions.

13. Provisions

	2013 $	2012 $
Employee leave		
Current	329,238	302,389
Non – current	168,715	123,860
	497,953	**426,249**

14. Convertible notes

The convertible notes were issued as part of the consideration for the acquisition of Biodiesel Producers Limited on 1 November 2011. The convertible notes include a derivative component due to the conversion features of the note. The convertible notes, including the variable share price conversion component and the share options component is required to be valued at inception, and then at each balance date with any changes to the fair value recorded through profit or loss. The conversion option allows for conversion at 6c, but if converted on maturity date, the conversion price is the VWAP for 3 months prior to maturity date less 10%. Conversion is for one share at 6 cents and one option at 3 cents for every three shares issued.

	2013 $	2012 (Restated) $	2012 $
Derivative component(i)			
Opening balance	2,570,138	-	-
Recognition of derivative liability	-	2,570,138	5,431,339
Unrealised loss/(gain) on derivative	(1,100,000)	-	-
Closing balance	**1,470,138**	**2,570,138**	**5,431,339**
Debt component			
Opening balance	11,079,862	-	-
Recognition of debt	-	11,079,862	8,218,661
Capitalised interest(ii)	1,366,257	-	-
Closing balance	**12,446,119**	**11,079,862**	**8,218,661**
Disclosed in the financial statements as:			
Other non-current liabilities	13,916,257	13,650,000	13,650,000
	13,916,257	**13,650,000**	**13,650,000**

(i) The derivative component of the convertible notes has been recalculated by Management at 30 June 2013 in accordance with AASB 139 with amendments applied to the model used in the year ended 30 June 2012. The calculation and valuation methodology has been reviewed by a third party and deemed reasonable. Accordingly, the debt and derivative components of the convertible note at 30 June 2012 have been restated. This restatement has no impact on amounts recorded through profit or loss.

(ii) In accordance with the Convertible Note Deed, the Group has elected to capitalise interest accrued for the first year ended 31 October 2012.

15. Borrowings

At the reporting date, the Group had the following financing facilities in place with HSBC Bank Australia Limited:

	2013	2012
Total facilities:		
Bank overdraft	-	10,000,000
Working capital facility	5,500,000	-
Guarantee facility	600,000	581,358
	6,100,000	**10,581,358**
Facilities used at reporting date:		
Bank overdraft	-	5,862,547
Working capital facility	4,211,911	-
Guarantee facility	510,000	581,358
	4,721,911	**6,443,905**
Facilities unused at reporting date:		
Bank overdraft	-	4,137,453
Working capital facility	1,288,089	-
Guarantee facility	90,000	-
	1,378,089	**4,137,453**

16. Amounts payable on acquisition

On 1 November 2011, the Group acquired Biodiesel Producers Limited (BPL), a biodiesel producer with a nameplate capacity of 60 million litres per annum. Details of the amounts payable on acquisition are as follows:

	2013	2012
	$	$
Current:		
Cash fee payable	-	3,443,875
Contingent consideration[(i)]	699,000	699,000
	699,000	4,142,875
Non current:		
Contingent consideration[(i)]	1,301,000	1,301,000
	2,000,000	**5,443,875**

(i) The contingent consideration is a further payment to holders of the convertible notes that may be triggered subject to certain criteria being achieved. Earn-out payments can be made to the note holders if the plant at Barnawartha achieves production levels greater than 43.5 million litres per annum in each of the first three years from 1 November 2011. These payments will be 16.33 cents per litre for each litre of production in excess of 43.5 million litres per annum for each year the excess is achieved. Should the average level of production over the first three years from 1 November 2011 exceed 49.3 million litres per annum, the potential earn-out payments period will extend for a further two years, taking the earn out program to five years. Management has assessed the likelihood of the earn-out payments and applied a discount cash flow rate against the quantum of the payout to determine the contingent consideration. This amount will be reviewed on an annual basis.

17. Issued capital and contributed equity

Fully paid ordinary shares	2013	2012
	$	$
30 June 2013: 4,195,537,997 (30 June 2012: 2,441,300,361)	135,944,302	124,176,890

17.1 Ordinary shares

Ordinary shares	2013		2012	
	No.	$	No.	$
Opening balance	2,441,300,361	124,176,890	1,732,641,023	114,576,984
Issue of shares from entitlement offer	1,144,237,636	8,009,663	-	-
Issue of shares from private placements	610,000,000	4,270,000	214,000,000	1,185,981
Exercise of options	-	-	494,659,338	8,542,077
Share issue costs	-	(512,251)	-	(128,152)
Closing balance	**4,195,537,997**	**135,944,302**	**2,441,300,361**	**124,176,890**

17.2 Options

Options	2013		2012	
	No.	$	No.	$
Opening balance	357,340,000	1,984,507	565,849,207	4,226,599
Issue of options	-	-	200,000,000	1,086,019
Exercise of options	-	-	(494,659,338)	(3,595,484)
Share based payments	15,000,000	166,711	146,500,000	267,373
Options expired/forfeited	(204,150,000)	-	(60,349,869)	-
Closing balance	**168,190,000**	**2,151,218**	**357,340,000**	**1,984,507**

18. Reserves

	2013 $	2012 $
Foreign currency translation reserve	-	(469,371)
Employee share options reserve	1,045,512	878,801
General options reserve	-	1,105,706
Other reserve	1,105,706	-
	2,151,218	**1,515,136**

18.1 Foreign currency translation reserve

	2013 $	2012 $
Balance at beginning of year	(469,371)	(468,561)
Exchange differences arising on translating the net assets of foreign operations	-	(810)
Exchange reserve reclassified to profit and loss on dissolution of foreign entity	469,371	-
Balance at end of year	**-**	**(469,371)**

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

18.2 Employee share options reserve

	2013 $	2012 $
Balance at beginning of year	878,801	611,428
Share based payments	166,711	267,373
Balance at end of year	**1,045,512**	**878,801**

The employee share options reserve arises on the grant of options to directors and employees under the share plan. Amounts are recognised in accordance with note 1(q). Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share based payment to employees is made in note 31 to the financial statements

18.3 General options reserve

	2013 $	2012 $
Balance at beginning of year	1,105,706	3,615,171
Options issued	-	1,086,019
Options exercised	-	(3,595,484)
Reallocation to other reserve	(1,105,706)	-
Balance at end of year	**-**	**1,105,706**

The general options reserve arose on:

(i) The grant of options to shareholders in November 2010 under the rights issue. Amounts are transferred out of the reserve and into issued capital if the options are exercised by the expiry date. Options were valued at 0.8 cents per option using the Black-Scholes method and all that were not exercised by the expiry date have now expired.

(ii) The grant of options to Global Biofuels Trading Inc (GBTI) on 24 March 2012 under which one option was granted for nil consideration for every share subscribed under the GBTI investment in the Group once the contribution of $2 million to equity was satisfied. The options were valued at 0.5 cents using the Black-Scholes model. During the 2013 financial year the options were not exercised and have subsequently expired.

18.4 Other reserve

	2013 $	2012 $
Balance at beginning of year	-	250,000
Advances from GBTI	-	1,750,000
Conversion to equity	-	(2,000,000)
Reallocation from general options reserve	1,105,706	-
Balance at end of year	**1,105,706**	**-**

The other reserve initially arose in the 2011 year on advances made by Global Biofuels Trading (GBTI) to Besok Fuels Pty Ltd under which GBTI would provide $2 million funding with the funds to be used towards capital works. Under the arrangement the complete draw down of the $2 million triggered Australian Renewable Fuels Ltd to grant shares and options to GBTI as consideration for this funding. During the year the Group transferred the balance of the general options reserve to the other reserve. As detailed in 18.3 above, the allocation from the general options reserve represents options which were not exercised, and subsequently expired.

19. Accumulated losses

	2013 $	2012 $
Balance at beginning of year	(116,101,098)	(108,929,064)
Net (loss) attributable to members of the parent entity	2,302,590	(7,172,034)
Balance at end of year	**(113,798,508)**	**(116,101,098)**

20. Non-controlling interests

	2013 $	2012 $
Balance at beginning of year	(201,877)	(138,118)
Share of loss for the year	(55,969)	(63,759)
Balance at end of year	**(257,846)**	**(201,877)**

21. Commitments

The Group has entered into the following lease arrangements:

i. A 20 year lease of the land on which the Largs Bay facility is located, which terminates on 31 October 2031;

ii. A 5 year lease on the Group's corporate headquarters on St Kilda Road, Melbourne, which terminates on 31 October 2016; and

iii. Various leases of office equipment for terms not exceeding 5 years.

The Group had also previously entered into a commercial lease in relation to the former Perth head office but this was terminated during the 2012 financial year.

The following obligations relating to the leases are not provided for in the financial report, and are payable:

	2013 $	2012 $
Not longer than 1 year	228,766	224,972
Longer than 1 year and not longer than 5 years	760,862	862,328
Longer than 5 years	1,697,333	1,824,633
	2,686,961	**2,911,933**

22. Contingent assets and liabilities

i. Contingent asset – Picton land sale contingent consideration

In September 2009, the Group sold its land at the Picton site as part of a wider agreement for the development of an industrial development in the area with additional deferred consideration being contingent on the successful sub-division of the land by the purchaser. If formal sub-division of the land is completed, the Group will become the beneficiary of an asset in the form of one of the sub-divided lots or additional proceeds from the sale of the lot. The nature of the deferred consideration is at the option of the purchaser once sub-division has occurred.

23. Subsidiaries

The parent entity of the Group is Australian Renewable Fuels Limited, which has the subsidiaries detailed in the following table.

Name of entity	Country of incorporation	Ownership interest	
		2013	**2012**
		%	**%**
Parent entity			
Australian Renewable Fuels Limited	Australia		
Subsidiaries			
Biodiesel Producers Pty Ltd	Australia	100	100
Australian Renewable Fuels Picton Pty Ltd	Australia	100	100
Australian Renewable Fuels Adelaide Pty Ltd	Australia	100	100
Besok Fuels Pty Ltd	Australia	100	100
ASG Analytik Pty Ltd	Australia	50	50
ARF Global Pty Ltd(i)	Australia	0	100
Shelly Nominees Pty Ltd(i)	Australia	0	100
ARF Plantations Pty Ltd(i)	Australia	0	100
American Renewable Fuels Inc(i)	USA	0	63

(i)Entity has been dissolved

All 100% owned Australian entities are part of the tax consolidated group

24. Cash flows from operations reconciliation

24.1 Cash and cash equivalents

	2013	2012
	$	$
Cash and bank balances	2,057,755	1,981,163
Bank overdraft	-	(5,862,547)
Bank working capital facilities	(4,211,911)	-
	(2,154,156)	**(3,881,384)**

24.2 Cash balances not available for use

	2013	2012
	$	$
Security for bank guarantee	-	581,358

24.3 Cash flows from operations reconciliation

	2013 $	2012 $
Profit/(loss) for the year:	**2,246,621**	**(7,235,793)**
Non cash items:		
(Gain) / loss on derivative liability	(1,100,000)	-
Interest income	(22,393)	(87,211)
Depreciation and amortisation	1,722,897	2,355,295
Borrowings reclassified as a grant	(50,000)	-
Share-based payments expense	166,711	267,373
Net foreign exchange loss	469,371	-
Changes in net assets and liabilities:		
(Increase) / decrease in assets:		
Trade and other receivables	178,381	1,148,660
Inventories	(7,540,142)	1,605,908
Other assets	(2,884,965)	(1,813,190)
***Increase / (decrease) in liabilities*:**		
Trade and other payables	529,092	1,989,325
Provisions	71,704	237,824
Net cash from operating activities	**(6,212,723)**	**(1,531,809)**

25. Non-cash transactions

There were no non-cash transactions during the year ended 30 June 2013.

26. Financial instruments

26.1 Capital risk management

The Group manages its capital to ensure that all entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the 2012 financial year. The capital structure of the Group can, at various times, consist of debt, cash and cash equivalents and equity attributable to equity holders, comprising issued capital, reserves and accumulated losses. None of the Group's entities are subject to externally imposed capital requirements. Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures including tax and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular and ongoing basis after consideration of the cost of capital and the risks associated with each class of capital.

The gearing ratio at year end was as follows:

	2013 $	2012 $
Debt (i)	13,916,257	13,650,000
Net (Cash and cash equivalents)/ Overdraft (ii)	2,154,156	3,881,384
	16,070,413	17,531,384
Equity (iii)	24,039,166	9,389,051
Net debt to equity ratio	0.67:1	1.86:1

(i)Debt is defined as current and non-current borrowings as disclosed in note 14 which represents the convertible notes and derivative issued as a component of the acquisition of Biodiesel Producers Pty Limited. The convertible notes are subordinated debt.

(ii)Includes bank working capital facilities drawn to $4,211,911 as at 30 June 2013.

(iii)Equity includes all capital, reserves and accumulated losses.

26.2 Significant accounting policies relating to financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

26.3 Categories of financial instruments

	2013 $	2012 $
Financial assets		
Cash and cash equivalents	2,057,755	1,981,163
Trade and other receivables	4,135,122	4,067,325
	6,192,877	**6,048,488**
Financial liabilities		
Bank overdraft	-	5,862,547
Bank working capital facilities	4,211,911	-
Trade and other payables	10,723,480	10,908,425
Amounts payable on acquisition of BPL	2,000,000	5,443,875
Convertible notes	12,446,119	11,079,862
Derivative component of convertible note	1,470,138	2,570,138
	30,851,648	**35,864,847**

The carrying amount reflected above represents the Group's maximum exposure to credit risk on the principle amounts for such credit.

26.4 Financial risk management objectives

The Group is exposed to market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

26.5 Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, commodity prices and interest rates. The Group manages its exposure to foreign currency on an individual transaction basis and may include entering into contracts in foreign currency when exchange rates are more favourable to the Company.

There has been no change to the nature of the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

26.6 Foreign currency risk management
The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. At the end of the year the Group was exposed to US Dollar (USD) currency fluctuations. Exchange rate exposures are managed within approved internal policy parameters.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the reporting date were:

	Liabilities		**Assets**	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
US dollars (Australian dollars equivalent)	279,349	644,139	443,488	-

Foreign currency sensitivity analysis
Based on the financial instruments held at 30 June 2013 the Group's post tax profit and equity would have been $16,414 higher/lower (2012: $30 higher/lower) with a 10% increase/decrease in the Australian dollar against the US dollar.

10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates in the short term.

The Group's risk exposure to foreign exchange is therefore considered to be immaterial. Notwithstanding this, the Group seeks to mitigate the effect of its foreign currency exposure by applying appropriate foreign currency exchange hedges and commodity hedges as required. With the Group beginning to trade more consistently with international based counterparties a more detailed foreign currency risk policy is now being developed.

26.7 Interest rate risk management
The Group may, from time to time, be exposed to interest rate risk as entities in the Group borrow funds or enter into structured debt facilities at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. At June 2013, all borrowings were on a fixed rate basis and the Group's working capital facilities were on a floating basis. The Group's exposures to interest rate on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate risk sensitivity analysis
The sensitivity analyses below have been determined based on the exposure to interest rates for derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates in the short term.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net profit increase/decrease would be $17,486 lower/higher on an annualised basis (30 June 2012: $29,313) due to the variable nature of the bank facilities. Being on a fixed rate basis, there would be no impact on the other borrowings. Other equity reserves increase/decrease would be nil (30 June 2012: nil).

26.8 Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved on an ongoing basis.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. All non-bank credit is subordinate to bank credit.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

26.9 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Group's contractual maturity for its non-derivative financial assets and liabilities.

The table has been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted Average Effective Interest Rate	Less than 1 month $	1 – 3 months $	3 months to 1 year $	1-4 years $	5+ years $
2013						
Financial assets						
Trade and other receivables	-	4,135,122	-	-	-	-
Cash and cash equivalents	0.4%	2,057,755	-	-	-	-
		6,192,877	**-**	**-**	**-**	**-**
Financial liabilities						
Working capital facilities	(6.7%)	4,211,911	-	-	-	-
Trade and other payables	-	9,910,479	-	-	-	-
Insurance premium financing	(2.3%)	813,001	-	-	-	-
Contingent consideration on acquisition of BPL (note 16)	-	-	-	699,000	1,301,000	-
Convertible notes	(10.0%)	-	-	-	13,650,000	-
- Interest	-	-	-	1,501,626	3,760,236	-
- Capitalised interest	(10.0%)	-	-	-	1,366,257	-
		14,935,391	**-**	**2,200,626**	**20,077,493**	**-**
2012						
Financial assets						
Trade and other receivables	-	4,067,325	-	-	-	-
Cash and cash equivalents	1.7%	1,981,163	-	-	-	-
		6,048,488	**-**	**-**	**-**	**-**
Financial liabilities						
Overdraft	(8.3%)	5,862,547	-	-	-	-
Trade and other payables	-	10,546,522	-	-	-	-
Insurance premium financing	(4.7%)	361,903	-	-	-	-
Deferred and contingent consideration on acquisition of BPL (note 16)	-	3,443,875	-	-	2,000,000	-
Convertible Notes	(10.0%)	-	-	-	-	11,079,862
- Derivative component	(10.0%)	-	-	-	-	2,570,138
		20,214,847	**-**	**-**	**2,000,000**	**13,650,000**

26.10 Financial liabilities at fair value through profit and loss

	Level 1 $	Level 2 $	Level 3 $	2013 Total $
Derivative financial liabilities	**-**	**-**	**1,470,138**	**1,470,138**

	Level 1 $	Level 2 $	Level 3 $	2012 Total $
Derivative financial liabilities	**-**	**-**	**2,570,138**	**2,570,138**

The fair value of derivative instruments are calculated using quoted prices. Where such prices are not available and the derivative contains an option, option pricing models are used. At the reporting date, had the Group's share price been 10% higher/lower, the unrealised gain on the derivative would have been $47,579 lower/higher.

	Fair value through profit and loss Derivative Component	
	2013	**2012**
	$	**$**
Opening balance	2,570,138	-
Purchases	-	2,570,138
Total gains or losses:		
- in profit or loss	(1,100,000)	-
Issues	-	-
Transfers out of level 3	-	-
Closing balance	**1,470,138**	**2,570,138**

27. Key management personnel compensation

Details of key management personnel

Key management is defined as Directors and other key management personnel as referred to in the remuneration report.

27.1 Key management personnel compensation

The aggregate compensation made to key management personnel of the Group is detailed below:

	2013	**2012**
	$	**$**
Short-term employee benefits	1,490,853	1,352,112
Post-employment benefits - superannuation	73,555	79,443
Termination benefits	-	504,028
Share-based payments	234,263	236,408
	1,798,671	**2,171,991**

27.2 Key management personnel equity holdings

The fully paid ordinary shares of Australian Renewable Fuels Limited, held by key management personnel, are detailed below:

2013	**Balance at 01 July 2012** *Number*	**Acquired through entitlement offer** *Number*	**Acquired through open trading** *Number*	**Acquired through exercise of options** *Number*	**Balance at 30 June 2013** *Number*
Directors					
P. Garling(i)	1,363,000	511,364	3,571,428	-	5,445,792
A. White(i)	9,150,000	3,430,471	-	-	12,580,471
M. Costello(i)	3,095,000	1,160,625	-	-	4,255,625
D. Page(i)	-	-	2,000,000	-	2,000,000
J. Playoust(i)	322,000,000	19,500,000	-	-	341,500,000
Other key management personnel					
C. Attwood	-	-	-	-	-
M. Burgess	-	-	-	-	-

(i) Includes all direct, indirect or associated party ownership.

2012	Balance at 01 July 2011	Acquired through entitlement offer	Acquired through open trading	Acquired through exercise of options	Balance at 30 June 2012
	Number	*Number*	*Number*	*Number*	*Number*
Directors					
P. Garling(i)	1,363,000	-	-	-	1,363,000
A. White(i)	-	-	9,150,000	-	9,150,000
M. Costello(i)	-	-	3,095,000	-	3,095,000
D. Page	-	-	-	-	-
J. Playoust(i)	203,545,809	-	(7,964,132)	126,418,323	322,000,000
Other key management personnel					
C. Attwood	-	-	-	-	-
M. Burgess	-	-	-	-	-

(i) Includes all direct, indirect or associated party ownership.

The options in Australian Renewable Fuels Limited, held by key management personnel, are detailed below:

2013	Balance at 1 July 2012	Granted as compensa-tion	Exercised or Expired	Balance at 30 June 2013	Balance vested at 30 June 2013	Vested and exercise-able	Rights vested during year
	Number	*Number*	*Number*	*Number*	*Number*	*Number*	*Number*
Directors							
P. Garling	15,000,000	-	-	15,000,000	5,000,000	5,000,000	5,000,000
A. White	45,000,000	-	-	45,000,000	15,000,000	15,000,000	15,000,000
M. Costello	15,000,000	-	-	15,000,000	5,000,000	5,000,000	5,000,000
D. Page	-	15,000,000	-	15,000,000	-	-	-
J. Playout	15,000,000	-	-	15,000,000	8,333,333	8,333,333	3,333,333
Other key management personnel							
C. Attwood	20,000,000	-	-	20,000,000	6,700,000	6,700,000	6,700,000
M. Burgess	15,000,000	-	-	15,000,000	5,000,000	5,000,000	5,000,000

2012	Balance at 1 July 2011	Granted as compensa-tion	Exercised or Expired	Balance at 30 June 2012	Balance vested at 30 June 2012	Vested and exercise-able	Rights vested during year
	Number	*Number*	*Number*	*Number*	*Number*	*Number*	*Number*
Directors							
P. Garling	-	15,000,000	-	15,000,000	-	-	-
A. White	-	45,000,000	-	45,000,000	-	-	-
M. Costello	-	15,000,000	-	15,000,000	-	-	-
D. Page	-	-	-	-	-	-	-
J. Playoust	131,418,323	10,000,000	126,418,323	15,000,000	5,000,000	5,000,000	-
Other key management personnel							
C. Attwood	-	20,000,000	-	20,000,000	-	-	-
M. Burgess	-	15,000,000	-	15,000,000	-	-	-

28. Related party transactions

28.1 Equity interests in related parties

(i) Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 23 to the financial statements.

28.2 Transactions with key management personnel

(i) Key management personnel compensation

Details of key management personnel compensation is disclosed in note 27 to the financial statements.

(ii) Loans to key management personnel

There were no loans to key management personnel during the financial year.

(iii) Other transactions with key management personnel of the Group

There were no other transactions with key management personnel of the Group during the financial year or in the prior year.

28.3 Transactions between Australian Renewable Fuels Limited and its related parties

(i) Related parties

In the 2012 financial year the Company transacted with Global Biofuels Trading Inc (GBTI). GBTI are a substantial shareholder in the Company and considered to be a related party.

(ii) Trading transactions

During the financial year, the Group did not enter into any transactions with related parties that are not members of the Group. In the prior financial year Group entities entered into the following transactions with related parties that are not members of the Group. All transactions were conducted on a commercial basis.

	2013 $	2012 $
Global Biofuels Trading Inc		
- sales	-	10,484,552
- feedstock	-	71,200
- throughput and freight costs	-	217,291

29. Remuneration of auditors

	2013 $	2012 $
Auditor of the parent entity (Deloitte Touche Tohmatsu):		
Audit and review of the financial report	140,000	133,975
Non-audit services:		
- Accounting treatment advice	-	2,500
- Final audit of Biodiesel Producers Pty Ltd	26,250	-
- Taxation advice	56,435	-
- Advice regarding Share placement and rights offer	71,086	-
- Co-ordination of merge process and consulting work regarding the proposed Wentworth Holdings Limited merge subsequently discontinued	201,334	-
	495,105	136,475
Former auditor of the Biodiesel Producers Limited subsidiary acquired by the Group on 1 November 2011 (WHK Group Limited):		
Audit	-	878
Non-audit services:		
- Tax lodgements	-	5,400
	-	6,278
	495,105	**142,753**

30. Earnings per share

	2013 Cents per share	2012 Cents per share
Basic earnings/(loss) per share[(i)]	0.08	(0.34)
Diluted earnings/(loss) per share[(ii)]	0.08	(0.34)

(i) Basic earnings/(loss) per share

Net profit/(loss) attributable to owners of the Company	2,302,590	(7,172,034)

	2013 Number	2012 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	3,010,387,352	2,088,286,443

(ii) Diluted earnings/(loss) per share

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share. Accordingly, the number used to calculate the diluted earnings/(loss) per share is the same as the number used to calculate the basic earnings/(loss) per share.

	2013 Number	2012 Number
Employee share options	168,190,000	-

31. Share-based payments

31.1 Employee share option plan

Share options are granted to executives and staff as part of their remuneration package under the Employee Share Option Plan. There are no cash settlement alternatives. The Employee Share Option Plan is designed to provide long term incentives for senior managers and above (including Directors) to deliver long term shareholder returns. Participation in the plan is at the Board's discretion and there is no individual contractual right to participate in the plan or to receive any guaranteed benefits.

During the financial year the Company issued 15,000,000 options to a Director.

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

Option series grant date	Number of options	Expiry date	Exercise price $	Exercise price post Entitlement Offer(i) $	Fair value at grant date $
July 2007	45,000	June 2012	0.600	n/a	0.030
March 2008	150,000	March 2013	0.100	n/a	0.030
September 2008	190,000	September 2013	0.100	0.099	0.030
August 2009	1,750,000	September 2014	0.020	0.019	0.010
November 2009	31,250,000	September 2014	0.020	0.019	0.010
December 2011	45,000,000	December 2014	0.030	0.029	0.010
January 2012	4,000,000	December 2012	0.020	0.019	0.010
March 2012	57,500,000	February 2015	0.030	0.029	0.010
March 2012	40,000,000	March 2015	0.040	0.039	0.010
December 2012	15,000,000	November 2015	0.040	0.039	0.010

(i) The current respective option exercise prices of the options in the above table were adjusted in accordance with Listing Rule 6.22.2 to reflect the discount of the offer price of 0.7 cents per share under the Entitlement Offer announced on 7 February 2013 to the average market price of the Company's shares during the 5 trading days ending on the day before the ex entitlements date.

31.2 Fair value of share options granted in the year

The weighted average fair value of the options granted during the financial year is 0.393 cents (2012: 0.47 cents). They were priced using a Black-Scholes valuation model. The inputs into this model were:

	Inputs into the model					
Option series grant date	Grant date share price	Exercise price	Exercise price post Entitlement Offer(i)	Expected volatility	Risk-free interest rate	Option life
July 2007	3.4 cents	60.0 cents	n/a	180%	6.00%	60 months
March 2008	3.2 cents	10.0 cents	n/a	180%	6.40%	60 months
September 2008	2.9 cents	10.0 cents	9.93 cents	217%	5.70%	60 months
August 2009	1.4 cents	2.0 cents	1.93 cents	220%	4.90%	61 months
November 2009	2.0 cents	2.0 cents	1.93 cents	208%	4.60%	58 months
December 2011	1.4 cents	3.0 cents	2.93 cents	92%	3.02%	36 months
January 2012	1.4 cents	2.0 cents	1.93 cents	94%	3.14%	12 months
March 2012	1.6 cents	3.0 cents	2.93 cents	93%	3.70%	36 months
March 2012	1.5 cents	4.0 cents	3.93 cents	93%	3.55%	36 months
December 2012	1.1 cents	4.0 cents	3.93 cents	94%	2.64%	36 months

(i) The current respective option exercise prices of the options in the above table were adjusted in accordance with Listing Rule 6.22.2 to reflect the discount of the offer price of 0.7 cents per share under the Entitlement Offer announced on 7 February 2013 to the average market price of the Company's shares during the 5 trading days ending on the day before the ex entitlements date.

31.3 Movements in employee share options during the year

The following reconciles the outstanding options granted under the employee share option plan at the beginning and end of the financial year:

	2013		2012	
	Number of rights	**Weighted average exercise price cents**	**Number of rights**	**Weighted average exercise price cents**
Balance at beginning of the financial year	157,340,000	3.1	58,385,000	2.1
Granted during the financial year	15,000,000	3.9	146,500,000	3.2
Exercised during the financial year(i)	-	-	-	-
Forfeited during the financial year	-	-	(47,500,000)	2.0
Expired during the financial year	(4,150,000)	2.3	(45,000)	60.0
Balance at end of the financial year(ii)	168,190,000	3.2	157,340,000	3.1
Exercisable at end of the financial year	*62,223,333*	2.9	*10,840,000*	7.5

(i) There were no options granted under the employee share option plan that were exercised during the financial year.

(ii) The share options outstanding at the end of the financial year had a weighted average exercise price of 3.2 cents (2012: 3.1 cents), and a weighted average remaining contractual life of 1.2 years (2012: 2.5 years).

32. Subsequent events

Subsequent to year end ARfuels has received the full sale proceeds from the June 2013 export shipment.

On 23 August 2013 ARfuels received a statement of claim issued by GBTI. The claim alleges that in 2011 ARfuels repudiated an agreement for the purchase by ARfuels of palm sludge oil from GBTI. The amount of the claim is approximately $1.36m. ARfuels intends to vigorously defend the claim.

An Extraordinary General Meeting (EGM) was held on 26 August 2013 to vote on a proposed Share Consolidation. The proposed consolidation is for the conversion of every 100 fully paid ordinary Shares into 1 fully paid ordinary Share. This resolution was passed at that meeting.

Other than as already noted, there have been no significant subsequent events in the affairs of the Group at the date of this report.

33. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 1 for a summary of the significant accounting policies relating to the Group.

Financial position	**2013**	**2012**
	$	**$**
Assets		
Current assets	1,166,451	1,382,503
Non-current assets	27,892,043	27,735,907
Total assets	**29,058,494**	**29,118,410**
Liabilities		
Current liabilities	2,908,863	7,940,758
Non-current liabilities	15,317,087	13,726,169
Total liabilities	**18,225,950**	**21,666,927**
Equity		
Issued capital	135,944,302	124,176,890
Retained earnings	(127,262,976)	(118,709,914)
Reserves	2,151,218	1,984,507
Total equity	**10,832,544**	**7,451,483**

Financial performance	**2013**	**2012**
	$	**$**
Profit/(loss) for the year	(8,553,061)	(9,174,204)
Other comprehensive income	-	-
Total comprehensive income	**(8,553,061)**	**(9,174,204)**

Directors' declaration

The Directors declare that:

i. in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

ii. in the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards as stated in note 1 to the financial statements;

iii. in the Directors' opinion, the attached financial statements and notes thereto are in compliance with the *Corporations Act 2001*, including compliance with accounting standards and give a true and fair view of the financial position and performance of the consolidated entity; and

iv. the Directors have been given the declarations required by *section 295A of the Corporations Act 2001.*

Signed in accordance with a resolution of the Directors made pursuant to *section 295(5) of the Corporations Act 2001*.

On behalf of the Directors,

Philip Garling
Chairman
Melbourne, 29 August 2013

Deloitte.

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Independent Auditor's Report to the members of Australian Renewable Fuels Limited

Report on the Financial Report

We have audited the accompanying financial report of Australian Renewable Fuels Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 28 to 66.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian Renewable Fuels Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Australian Renewable Fuels Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 21 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Australian Renewable Fuels Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ian Sanders

Ian Sanders
Partner
Chartered Accountants
Melbourne, 29 August 2013

Additional shareholder information

Additional information required by the ASX Listing Rules not disclosed elsewhere in the full year report is set out below.

The shareholder information set out below was applicable as at 20 August 2013.

1. Distribution of Shareholders

Distribution of ordinary shareholders and shareholdings is set out in the table below:

Range	Total holders	Units	% of Issued Capital
1 - 1,000	164	88,890	0.00
1,001 - 5,000	493	1,470,237	0.04
5,001 - 10,000	280	2,205,392	0.05
10,001 - 100,000	1,196	55,110,514	1.31
100,001 - 999,999,999	1,052	4,136,662,964	98.60
Total	**3,185**	**4,195,537,997**	**100.00**

Voting rights as governed by the Constitution of the Company provide that each ordinary shareholder present in person or by proxy at a meeting shall have:

i. on a show of hands, one vote only; and
ii. on a poll, one vote for every fully paid ordinary share held.

2. Largest shareholders

The names of the twenty largest holders by account holding of ordinary shares are listed below:

Rank	Name	Shares held	% of issued capital
1.	NEFCO NOMINEES PTY LTD	897,752,286	21.40
2.	WENTWORTH HOLDINGS LIMITED	387,214,691	9.23
3.	UBS NOMINEES PTY LTD	313,322,558	7.47
4.	THORNEY HOLDINGS PTY LTD	308,643,263	7.36
5.	HSBC CUSTODY NOMINEES <AUSTRALIA LIMITED	202,204,025	4.82
6.	AUSTRALIAN ENTERPRISE HOLDINGS PTY LTD <PLAYOUST FAMILY TR A/C>	200,000,000	4.77
7.	SWEET WATER PTY LTD <FARMOCEAN SUPER FUND A/C>	80,000,000	1.91
8.	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	70,000,000	1.67
9.	THIRTY-FIFTH CELEBRATION PTY LTD <JC MCBAIN SUPER FUND A/C>	56,987,728	1.36
10.	J & M PLAYOUST SUPERANNUATION PTY LTD <J & M PLAYOUST S/F A/C>	55,000,000	1.31
11.	KNIGHTLY PTY LTD	53,075,000	1.27
12.	DIXSON TRUST PTY LTD	47,874,112	1.14
13.	SEASPIN PTY LTD <APHRODITE A/C>	45,811,532	1.09
14.	HARLEY CLARKE ENTERPRISES PTY LTD	43,000,000	1.02
15.	WENTWORTH HOLDINGS LTD	40,000,000	0.95
16.	HOTLAKE PTY LTD <HALCYON SUPER FUND A/C>	36,285,714	0.86
17.	DHARMA KARTA PTY LTD	28,639,095	0.68
18.	MR LUKE JOHN JOSEPH PLAYOUST + MRS AMABELLE PLAYOUST <L & A PLAYOUST S/F A/C>	26,714,286	0.64
19.	REEF SECURITIES LIMITED	26,403,917	0.63
20.	EARLY FORCE PTY LTD	24,062,500	0.57
Top 20 holders of ordinary fully paid shares		**2,942,990,707**	**70.15**

3. Option holders

The Company has no listed options.

4. Register of substantial shareholders

The names of substantial shareholders in the Company and the number of fully paid ordinary shares in which each has an interest, as disclosed in substantial shareholder notices to the Company on the respective dates shown, are as follows:

Rank	Name	Shares held	% of issued capital
1.	NEFCO NOMINEES PTY LTD – 15 March 2013	897,752,286	21.40
2.	TIGA TRADING PTY LTD (and related bodies corporate) – 14 March 2013	665,432,237	15.86
3.	WENTWORTH HOLDINGS LIMITED – 19 March 2013	387,214,691	9.23

5. Restricted Securities

The Company had no securities subject to escrow arrangement.