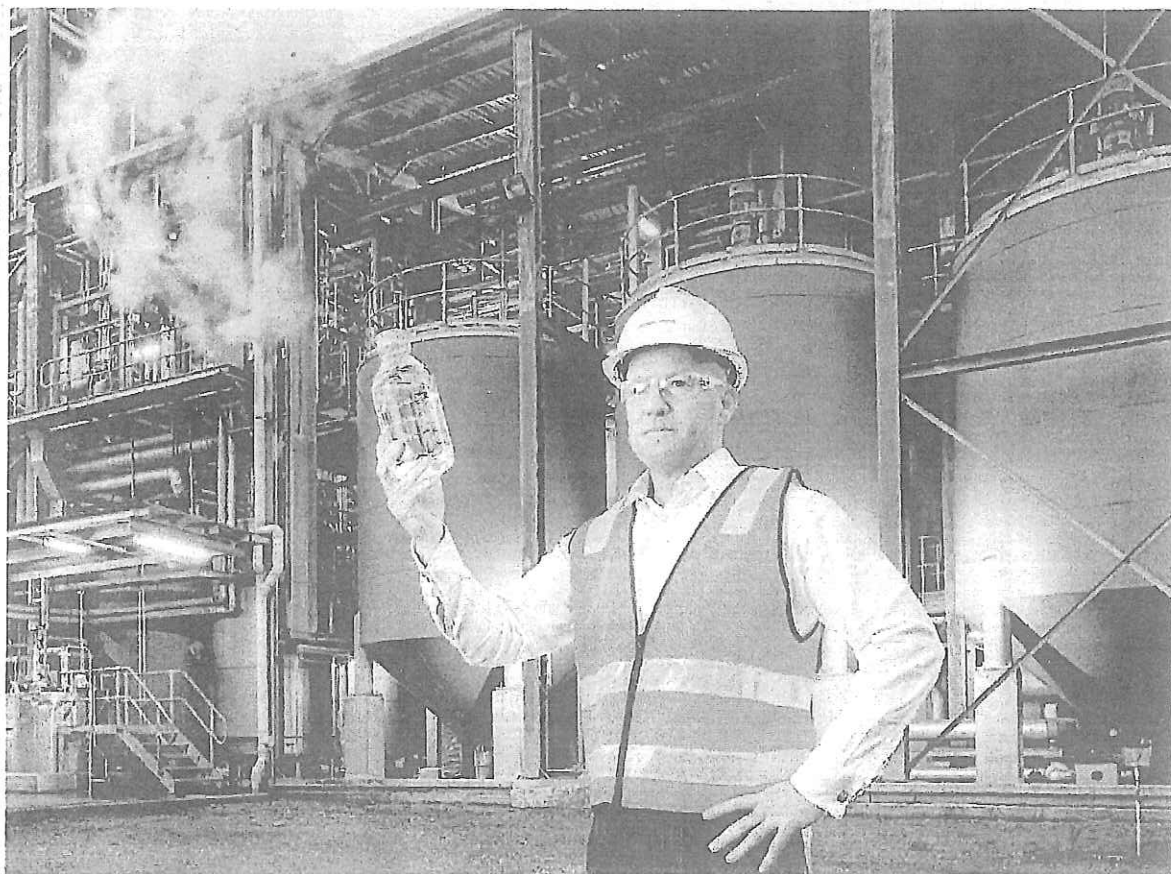


Biodiesel believers' patience may pay off



SIMON DALLINGER

Australian Renewable Fuels chief executive Andrew White is confident the company has turned the corner and investors will be rewarded



A dramatic share consolidation could be on the horizon

DAMON KILNEY

FEW chief executives of a so-called penny dreadful could say they are backed by a billionaire, a trucking magnate and a former football champion who is also one of the country's most astute businessmen.

But Andrew White has it all. Thorney Investments chief

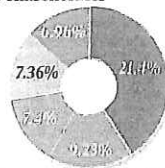
Alex Waislitz, Finemore Transport founder Ron Finemore and Australian Football League chairman Mike Fitzpatrick through his investment management business Infrastructure Capital Group are all either shareholders or lenders to White's fledgling biodiesel producer, Australian Renewable Fuels.

Former high-flying diplomat and former deputy managing director of the Australian Securities Exchange Michael Costello is also a director. They have all shared one simple trait during the firm's troubled seven-year history: patience.

"There has never been a time when I didn't think the company would make it," White says.

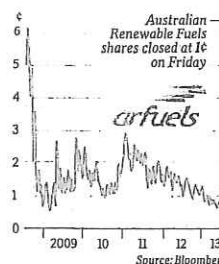
"That's not to say there haven't been times when I questioned what the hell we were doing."

Top shareholders



■ LIGNOL ENERGY OF CANADA
 ■ WENTWORTH HOLDINGS
 ■ TIGA TRADING
 ■ THORNEY HOLDINGS
 ■ WASABI ENERGY

White has only been with ARF for two years. Before that he was chief operating officer of ICG, which is owned by a consortium of Infrastructure Australia director John Clarke and interests associated with Fitzpatrick. The latter is chairman. ICG, a key



lender to ARF, put him into the chief's role at the biofuels producer when White's private Biodiesel Producers back-door listed through ARF in November 2011.

The transaction delivered BPL's Barnawartha plant near

Albury to ARF and, critically, a supply contract with Shell for 40 million to 50 million litres a year.

The company had listed strongly at \$1 a share in May 2005 but without distribution support from the oil giants, its plants at Largs Bay near Adelaide and Pictou near Bunbury in WA never reached their potential.

It was also crippled by the federal government's decision to scrap an excise concession for biodiesel in 2007. So was the share price. It went on a steady decline and since 2009 it hasn't traded above 3c. The price is now just above 1c and there are a stunning 4.5 billion shares on issue.

But now White believes the patience of the board, lenders and investors is about to be rewarded.

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column recently speculated that a massive share consolidation might be in the wings. The talk is of a one-for-100 swap.

White won't confirm the speculation, except to say: "I'm very conscious of the need to do something about it (the shares on issue)."

For the moment it appears to be a case of watch this space.

But White is confident the company has turned the corner after recently confirming an 11 million litre export program to the US, settling a \$3.9m insurance claim stemming from a fire at its Adelaide plant and securing a \$6m working capital facility with a global bank.

It has also been helped by the fact that the NSW government introduced a mandate in which 2 per cent of biodiesel was included with diesel in that state. And the Victorian government supported the development of Shell's blending facility in Melbourne, with a \$2m grant.

Now ARF's plants in SA and WA are, for the first time, ramping up to their proper capacity to match the strong performance of Barnawartha.

The company recently reported its first operating profit from

annual turnover of about \$60m.

Ron Finemore is sharing White's optimism.

"It has certainly turned the corner and it is onwards and upwards," Finemore says. Finemore has a major supply contract with ARF, as do rival truckers Border Express and Greenfreight.

"The product they produce is a quality product," Finemore says. "And Andrew is a good, honest operator. I've stuck with him all the way because they have always delivered a quality product."

White now has bold ambitions. "I want 10 customers. I want all the four majors, three or four in the US. I want some customers in Europe and lots of trucking companies in the US," he says.

"Yes, we've lost money along the way. That includes me and other investors. But it is still unfinished business."

The key will be securing more long-term contracts.

Rival fledgling biodiesel producer Smorgon Fuels, controlled by the grandson of the late patriarch of the billionaire Smorgon family, Victor Smorgon, abandoned the industry six months ago because it was unable to do that.

Its 100 million litre biodiesel plant at Laverton North outside Melbourne has been mothballed

after it failed to secure long-term deals with Caltex and Liberty.

Victor Smorgon Group chief Peter Edwards said it gave up after "beating our heads against the wall for six years".

"It was certainly something we wanted to make succeed. I had justified it to the board for so long. But I just couldn't justify it any longer," Edwards says.

But White says ARF is "talking to all the majors all the time" and claims that in the next 12 months, he will execute more contracts with the oil majors.

There are also expansion opportunities in the US, where ARF has contracts with Valero Energy and Gavelon, two of the world's leading energy companies.

"We make good biodiesel, we are cost effective and we have a cost arbitrage. All US biodiesel is made inland and must be rail freighted to the ports where the fuel terminals are," White says.

"Find me a manufacturing business in Australia that can do this and send it to the US."

The falling Australian dollar has also helped. The export business was viable at \$US1 03, so with the dollar now more than a cent below that level, White is smiling. Broker Wilson HTM now has a speculative buy on the stock, say-

ing it has "entered a period of strong earnings growth that is yet to be recognised by the market".

There were some nervous moments earlier this year when ARF was forced to abandon a plan to merge with listed investment company Wentworth Holdings after Thorney opposed the deal.

The deal would have seen ARF receive a cash injection of about \$14m from Wentworth to fund working capital and future growth and strengthen its balance sheet.

Instead, ARF announced a \$12.3m capital raising backed by Thorney and negotiations began for Wentworth to be rebranded as an activist shareholder in small and mid-cap ASX-listed companies, starting with the \$14m in cash.

"I was always confident we could get a deal done, one way or another. Wentworth would have been a fantastic deal at 1.1c. And Alex worked it out," White says.

"Alex has been a great supporter of the business and a big personal supporter of mine. The business has needed someone like him who had two things. One was faith, the other was money. He had both in spades. That was why I was confident Wentworth wasn't going to be a company breaker. There was just going to be a different transaction."