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ASX/Media Announcement
(ASX: ABJ)

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ABG Limited welcomes Transfield Pty Ltd as strategic investor, announces plans for Australian acquisition and major Nth American developments

Australian Biodiesel Group Limited (ABG) today announced Transfield Pty Ltd has committed to becoming a strategic shareholder, by acquiring a 13 percent stake in the company, via a placement of 16,380,965 new shares.

ABG has also granted Transfield options to take up to an additional 7,855,855 million shares, subject to ABG shareholder approval of the placement. Additionally, ABG has agreed that Transfield may acquire a further 2.5 million shares on market during the next six month period. Details of the agreements between ABG and Transfield are included at the end of this announcement.

The \$17,036,203.60 raised through the placement is intended to fund the acquisition of an Australian vegetable oil crushing facility and enable ABG to progress its North American investment opportunities. BBY Limited, strategic partner of US based investment bank Jefferies and Co, advised ABG on the placement.

Having restructured in recent years, Transfield Pty Ltd is now principally a project developer and investor, with interests in infrastructure, services and property. ABG expects to benefit from Transfield's considerable project management and development expertise, and experience in dealing with governments and infrastructure, technology and engineering service providers.

Dr David Iverach, CEO of Transfield Investments, has been invited to become a Director of ABG.

Transfield's Managing Director, Guido Belgiorno-Nettis, said Transfield had been looking for an entry point into the sector for some time and was very impressed with both ABG's comprehensive strategy and quality of management.

Chairman of ABG, Dr. John Keniry, said he and the board of ABG were delighted with the very tangible vote of confidence from Transfield in the strategy, direction and management of ABG.

"The board believes the relationship with Transfield will add major value to both ABG's national and international expansion plans," Dr Keniry said.

Australian crushing plant

ABG has completed due diligence and is negotiating final terms under an exclusive arrangement to acquire an Australian vegetable oil crushing facility.

The proposed acquisition of the facility will allow ABG to enhance the security of its feedstock supply and continue its vertical integration program for biodiesel production. The facility will also provide volume access to vegetable oil feedstock, required for the production of winter-grade biodiesel.



Further details of the acquisition will be announced upon the completion of the negotiation.

Nth American project development

In addition to the previously announced project presently under development in Calgary, Canada, ABG Limited has signed a Heads of Agreement for its first project in the United States, and is finalizing a further agreement for a second project in the US, with various project partners in that country.

The two new proposed projects are similar in scale to ABG Limited’s 160 million litres per annum Narangba plant, now under construction in Queensland, and are the first part of a project pipeline identified by ABG in North America.

Further details will be announced following the completion of the final agreements.

Exclusivity and placement details

Under an Exclusivity Deed between ABG and Transfield Pty Ltd, Transfield Pty Ltd must not, without ABG’s prior written consent, acquire a relevant interest in the ordinary shares of ABG exceeding 15% of the total issued ordinary shares of the company during the period of 12 months commencing on and from 14 March 2006 and the further period of 12 months commencing on and from 28 April 2006.

Under the terms of the Deed, Transfield Pty Ltd must:

- not maintain a relevant interest in the ordinary shares of the company exceeding 15% of the total issued ordinary shares of the company; and
- divest or procure the divestment of that number of ordinary shares comprising its Relevant Interest that exceeds 15% of the total issued ordinary shares of the company as soon as practicable following notification by the company.

Accordingly, the company’s agreement to this further on-market acquisition is required under the terms of that Deed.

Under a Placement Agreement, ABG will place 16,380,965 fully paid ordinary shares in the company to Transfield Pty Ltd at the price and on the dates shown in the following table:

No. of placement shares issued	Amount payable	Date of issue
3,846,154	A\$4,000,000	28 April 2006
1,923,077	A\$2,000,000	31 May 2006
1,923,077	A\$2,000,000	30 June 2006
1,923,077	A\$2,000,000	31 July 2006
2,884,615	A\$3,000,000	31 August 2006
3,880,965	A\$4,036,203.60	29 September 2006
TOTAL: 16,380,965	A\$17,036,203.60	



The issue price for the shares in the Placement Agreement is A\$1.04 per share to raise gross proceeds of A\$17,036,203.60.

Under the terms of the Placement Agreement the company has granted 7,855,855 options to Transfield Pty Ltd conditional upon shareholder approval. No amount is payable on grant of the options.

Each Option entitles Transfield Pty Ltd to subscribe for one ordinary share in the share capital of the company.

The options are exercisable on 31 October 2006 and any options not exercised by midnight on that date lapse.

The exercise price of the options is the price equal to the volume weighted average price per share traded on the ASX market over the ASX Trading Days from 10 to 30 October 2006 (inclusive) and applying a discount of 10%.

The obligation of the company to grant these options is conditional upon obtaining shareholder approval at its next AGM, scheduled to occur on 22 May 2006.

The options will be granted immediately after the AGM.

Further information

Dr Len Humphreys, Chief Executive Officer, ABG Limited, Tel. 02 9455 0406.

About ABG Limited

ABG is Australia's largest commercial producer of biodiesel and a licensor of its biodiesel production process. Its current production facility is a 40 million litre per annum facility at Berkeley Vale, north of Sydney, and by mid-2006, a second, 160 million liter per annum facility at Narangba, north of Brisbane, will commence commissioning.

ABG has developed its own process for producing biodiesel which involves a considerably lower capital cost than many competing international technologies. Feedstocks for the production process are tallow, used cooking oil and vegetable oil and the process produces two products, biodiesel, which ABG sells in bulk on a wholesale basis, and glycerol. Further details regarding the company are available at www.abgbiodiesel.com