

Annexure B

a. Background

The Company was incorporated in Western Australia on 2 September 1993 as Crest Resources NL.

The Company changed its name to Crest Magnesium NL in 1998 and Crest Magnesium Limited in 2001 to reflect its focus on the development of its magnesite project in Northern Tasmania.

Since 2002, in addition to the magnesite project, the Company has been engaged in the development of fuel ethanol and biodiesel production plants in Australia, the United States and Central Europe. The Company has operated under the name Agri Energy Limited since January 2007.

The Company's initial fuel ethanol and biodiesel venture was the acquisition of Australian Biofuels Pty Ltd in August 2002. At the time of the acquisition, Australian Biofuels Pty Ltd was developing an ethanol project in Mossman, Queensland. Since the acquisition, the Company has commenced development of a number of ethanol projects in Australia, and this part of the business, the Australian Ethanol Business, will be retained. Further details of the Australian Ethanol Business are set out in section 2.3.

In late 2004, the Company expanded its operations into the United States and then into Central Europe in early 2007. The Company's primary operation in the United States was the development of the Beatrice Biodiesel Plant located in Beatrice, Nebraska. Whilst initially construction of the Beatrice Biodiesel Plant proceeded well, cost overruns and delays in construction during 2007 and 2008 together with significant increases in feedstock prices led to the Company being unable raise sufficient funds to complete and commission the Beatrice Biodiesel Plant. On 11 September 2008, the Company filed for Chapter 7 Bankruptcy in the United States for the Beatrice Biodiesel Plant.

Suspension of Trading of Company Shares and Appointment of Administrator

On 13 February 2008, the securities of the Company were suspended from trading on the Official List of the ASX at the request of the Company whilst the Company pursued restructuring options.

On 12 September 2008, following the filing for Chapter 7 Bankruptcy in the United States for the Beatrice Biodiesel Plant, the directors of the Company appointed Kenneth Stout of Boutique Corporate Services as Administrator of the Company pursuant to Section 436A of the Corporations Act.

At the second meeting of creditors of the Company on 1 December 2008, the Administrator recommended to the creditors that, in the opinion of the Administrator, it was in the best interests of creditors to approve the execution of a deed of company arrangement to facilitate the recapitalisation of the Company. The Administrator outlined six proposals he had received to recapitalise the Company. At this meeting, creditors resolved to approve execution of a deed of company arrangement to facilitate the Recapitalisation Proposal put forward by Ascent Capital.

The Deed of Company Arrangement was executed by the Company, the Deed Administrator and Ascent Capital on 19 December 2008. The Deed of Company Arrangement, subject to certain conditions including shareholder approval, required that an amount of \$402,258 and certain assets and rights of the Company be made available

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for the satisfaction of the claims of creditors and to meet the costs of the Administrator and Deed Administrator. Ascent Capital provided the funding to meet the costs associated with obtaining shareholder approval and arranged the \$402,258 in additional loan funds, via a conditional loan agreement, to enable the Company to meet the terms of the Deed of Company Arrangement.

Nominees of Ascent Capital being Gary Steinepreis, Bevan Tarratt and Patrick Burke were appointed Directors of the Company on 23 July 2009.

At the Shareholders Meeting held on 1 October 2009, Shareholders approved the Recapitalisation Proposal.

Following the Shareholders Meeting the final matters relating the Administration were addressed and the Company was released from Administration on 1 October 2009.

All assets of the Company, save for the Australian Ethanol Business, have been disposed of by either operation of the United States bankruptcy proceedings, the Administrator, the Deed Administrator or operation of the Deed of Company Arrangement. All creditors are bound by the Deed of Company Arrangement, all claims against the Company have been released and there are no residual liabilities or potential recovery from former creditors against the Company.

Assets of the Company – Australian Ethanol Business

The Company has a number of ethanol projects under development together with a large and unique intellectual property database with respect to the development of ethanol projects in Australia. The Company's intellectual property and know-how with respect to the development of ethanol projects in Australia includes the following:

- Feedstock research and development database.
- Project development from site selection through design and construction to operation.
- Database of third parties required for project development, including but not limited to, feedstock, environmental, government, utilities, design, technology, engineering, finance, marketing, distribution and offtake.
- Project management expertise.
- Project funding and financial modeling.
- Government relations (all tiers) and public education database.
- Environmental benefits and issues database.
- Offtake, distribution and retailing database.
- Database of prospective sites for ethanol projects in Australia including detailed information going to availability of feedstock, utilities, demand, prospective workforce etc.
- Database on ethanol sector in Australia and internationally.

The Company's most advanced Australian project at Swan Hill in Victoria was sold prior to the Company entering Administration. However the Company has retained ethanol projects under development in Condobolin, Oaklands and Coleambally in New South Wales and Murtoa in Victoria together with scoping studies on a number of other prospective locations across Australia.

The Company has completed design work together with an extensive assessment of the critical issues relating to each of the three ethanol projects in NSW including grain supply studies, access to water, rail, infrastructure and a population base to support

each of the proposed projects. The Company also engaged independent consultants to complete and submit a detailed development application to the relevant authorities in NSW.

The Australian projects were all placed on hold in late 2007 as a result of high feedstock prices and uncertainty from the investment community and governmental support. The Company regarded its overseas projects as being more prospective at the time.

The current indications are however that the environment for ethanol projects in Australia is improving. The NSW projects are of particular interest in this regard with the NSW government having introduced mandatory ethanol content requirements for petrol retailed in that State.

b. Continued Business of the Company

The Company proposes to raise sufficient working capital to review, evaluate and develop the Australian Ethanol Business and, being an energy company, pursue new projects in the energy and resources sectors by way of acquisition or investment.

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