National Biodiesel Ltd
ABN 12 119 403 539

P.O. Box 524, Pymble NSW 2073
Suite 16, 33 Ryde Road, Pymble NSW 2073

Tel: +61 (0)2 9499 8291/2/3/4
Fax: +61 (0)2 9499 8295
Email: info@natbiogroup.com
Web: www.natbiodiesel.com

Dear Ashley,

Please find outlined on the following pages our formal response to the submission from GrainCorp dated 11/1/2013.

Please do not hesitate to contact me should you have any queries

Kindest of regards,

Robert Kempton

Lead Process Engineer
National Biodiesel Ltd
0404 373 681

RESPONSE TO GRAINCORP SUBMISSION DATED 11/1/2013

Item 1: Details of Proposed Liquid Berth Infrastructure at Berth 104

Should maintenance access to the berth be required by GrainCorp while liquid is being unloaded at Berth 104, a suitable means of access over the flexible hoses could be provided. For reference, the nominal flexible hose diameter is 150mm, equivalent to the height of a common speed hump.

The location of pipe supports for the proposed liquid bulk pipeline is yet to be determined, and will be designed in accordance with the requirements of the berth owner, the Port Kembla Port Corporation.

Item 2: Road Transport and Traffic

As noted in the "Proposed Transportation Operations"detailed in Section 7.5 of the approved Maunsell-AECOM (2008) Environmental Assessment, the bulk of soybean transport will be via ships, and the bulk of soybean meal will also be moved by ship. The proposed modification does not change this in anyway, and the ongoing design of the ship unloading/loading facilities are being optimised to allow for larger vessels (thus reducing the total no. of ship movements), and faster unload rates (to minimise time spent in berth). This will allow National Biodiesel to maximise the use of ship transport for soybeans and soymeal without impacting on the utilisation of Berth 104.

In relation to the use of the Truck Marshalling Area (TMA) as per the original Project Approval, it is a condition precedent for the development approval granted to GrainCorp by the Port Kembla Port Corporation that GrainCorp would, in good faith, enter into an agreement with National Biodiesel for the shared use of the TMA and the land at the southern end of these facilities. Please refer to dot point four of Attachment 1, the Port Kembla Port Corporations determination on GrainCorp's request to develop the TMA.

Furthermore, National Biodiesel has been in commercial discussions with GrainCorp for the use of the TMA as outlined in Attachment 2, a letter from GrainCorp outlining their proposed fee for the use of this area, and these negotiations are ongoing. The comments offered in GrainCorp's letter dated 11/1/2013 regarding arrangements for the use of the TMA would appear to be nothing more than an attempt on their behalf to force National Biodiesel into their current offer outlined in Attachment 2, which offers only partial use of the facilities (in contradiction to the requirement of their development approval that GrainCorp shares the use of the whole TMA area and associated land to the south), at a fee that National Biodiesel believes is well above the market rate for the local area.

With regards to the issue of rail transport associated with the main production facilities, in the Approved Development the use of rail was proposed for the delivery of locally grown soybeans via the use of GrainCorp's existing rail dump station. It is projected that when the plant commences operation, the domestic soybean market will be relatively small, in the order of 50,000-100,000t/year. The existing supply chain into Port Kembla is severely limited as acknowledged in the letter provided by GrainCorp (dated 11/1/2013), and is already restricting the operational needs of current users such as the Port Kembla Coal Terminal and GrainCorp. Given the high capital cost associated with providing rail facilities to the revised site layout, the relatively small projected domestic soybean market when the plant commences operation, and the existing issues with regards to bringing rail transport into Port Kembla, it is not considered viable to provide rail facilities for the commencement of operations.

As such, it is proposed that at the commencement of operations of the main production facilities, domestically grown soybeans be initially brought in by either ship, or road. If all the domestically grown soybeans were brought in by road (worst case) this would equate to approximately 2.7 - 5.5 trucks per day. National Biodiesel believes that this minor amount of additional truck movements would fall within the total projected volumes outlined in the original Maunsell-AECOM Environmental Assessment (2008), which is why detailed assessments for this were not considered necessary for the modification assessment. Furthermore, the revised layout and design of the site in the proposed modification has allowed for the potential future installation of rail in-loading facilities.

Utilisation of Berth 104:

Berth 104 is a common user berth; both GrainCorp and National Biodiesel have lease agreements with the berth owner, Port Kembla Port Corporation (PKPC), for the use of Berth 104 with equal access rights.

The berth owner, PKPC, is supportive of both the approved development and the proposed modifications, and the associated use of Berth 104.

The importation of biodiesel via ship is only proposed as part of Stage 1 operations, until the main production facilities are completed in Stage 2. The number of ship movements associated with Stage 1 operations will be significantly less than that during the operation of the main production facilities. The exact number of shipments associated with the Stage 1 operations is a function of both market demand and available shipment size, and it is anticipated that the number of shipments would be in the order of 2 per month. In comparison, the approved Maunsell-AECOM Environmental Assessment (2008) outlined a maximum number of approximately 10 shipments per month associated with the main production facilities.

When the main production facilities are completed, biodiesel will be produced on site, and ship transport will then be used for transporting soybeans and soymeal, as outlined in the approved Maunsell-AECOM Environmental Assessment (2008).

ATTACHMENT 1

PORT KEMBLA PORT CORPORATION

29 April 2011

Mr Tim Arkell
Project Manager
GrainCorp Operations Limited
PO Box 1029
Wollongong NSW 2500

Dear Tim,

Proposed Truck Marshalling Area (TMA), GrainCorp Grain Terminal – Request to Determine the proposed Development under Part 5 of the EP&A Act.

We refer to your letter of 25 March 2011 requesting our determination under Part 5 of the EP&A Act. We also refer to the accompanying Review of Environmental Factors (REF) dated 25 March and subsequent discussions and emails relating to this matter.

PKPC is of the view that the proposed TMA falls within the definition of *port facilities* provided in State Environmental Planning Policy (Major Development) 2005 and therefore does not require consent under Part 4 of the EP&A Act. The proposal is therefore subject to the environmental assessment and approval requirements of Part 5 and accordingly PKPC is the determining authority for the proposed TMA under Part 5.

Having now reviewed the REF and considered responses to associated emails and discussions, PKPC is pleased to advise that it approves the proposed development subject to the following:

- GrainCorp construct the TMA in accordance with plans incorporated within the REF;
- GrainCorp undertake the works incorporating measures to mitigate any adverse impacts on the environment as outlined in the REF Project Commitments;
- Stage 2 of the TMA should commence within 5 years of this date of determination. Should GrainCorp not achieve this timeframe and wish to commence construction of Stage 2 post 5 years then PKPC reserves the right to request additional traffic studies to better reflect the traffic flows within the Inner Harbour at that time;
- GrainCorp will in good faith enter into an agreement with National Biofuels Group and /or any other third party wishing to

PO Box 89
Maritime Centre
91 Foreshore Road
Port Kembla NSW 2505
Australia
Tel +61 2 4275 0100
Fax +61 2 4274 0643
www.portkembla.com.au
ABN: 52 656 351 300

share the use of the proposed TMA including the land at the south of the TMA facility;

- Operation of the proposed TMA is to be consistent with any other approvals, licences or permits which apply to the operation of the Grain Terminal.

Should you wish to further to discuss this matter please do not hesitate to contact me on 42 750101or Geoff Cornwall on 42750143.

Yours sincerely,

Dom Figliomeni
Chief Executive Officer

PO Box 89
Maritime Centre
91 Foreshore Road
Port Kembla NSW 2505
Australia
Tel +61 2 4275 0100
Fax +61 2 4274 0643
www.portkembla.com.au
ABN: 52 656 351 300

ATTACHMENT 2

GrainCorp

14 August 2012

Edward Dutton
Chairman
National Biofuels Group
16/33 Ryde Road
PYMBLE NSW 2073

By email: ed@natbiogroup.com

Dear Ed

Port Kembla Truck Marshalling Area ("PKTMA") – GrainCorp Grain Terminal – Proposed Terms of Use

We refer to the above matter and the meeting between Port Kembla Port Corporation, GrainCorp Operations Limited ("GrainCorp") and National Biodiesel Group ("NB") on 2 August 2012.

GrainCorp proposes making available use of its PKTMA to NB on the following indicative terms:

- Use to be limited to a maximum of 7 allocated truck parking bays and amenities shed (use of weighbridge excluded) at a fee of $1,365.00 / week, take or pay
- GrainCorp to be able to use any of the 7 allocated truck parking bays if not being used by NB
- Term of 2 years with an option to renew for a further 2 years conditional on NB having an operational soybean preparation and extraction plant within Port Kembla Port prior to expiry of the initial term
- Annual fee adjustment to capture CPI increases and any increase to GrainCorp's rent for the premises
- NB to be responsible for and indemnify GrainCorp in respect of any damage to the premises and any environmental issues arising from its use (e.g. dust or oil issues)
- NB to hold $20 million public liability insurance

The terms above are for discussion purposes only at this stage and are not an offer capable of acceptance by NB. Any formal offer will be accompanied by full terms and conditions to be drafted by GrainCorp. We note that agreement by GrainCorp to continue these discussions does not give rise to an obligation to enter an agreement on any particular terms.

We look forward to discussing this matter with you further.

Yours sincerely

Mark Jelbart
Terminal Manager
GrainCorp Limited
(T): (02) 4224 6400