Natural Fuel Limited

ABN 52 106 760 418

Terms of issue of unlisted options expiring 30 June 2008 – $0.33 options

1. Each Option will entitle the holder to subscribe for one fully paid ordinary share in the Company.
2. Each Option has an exercise price of $0.33.
3. No consideration is payable in respect of the grant of the Options.
4. Each Option will be exercisable in the period from 29 June 2004 until 30 June 2008.
5. Any Option not exercised before 5 pm (WST) on the relevant expiry date will automatically lapse.
6. The Options are exercisable by notice in writing to the Company accompanied by payment in full of the exercise price.
7. All the shares issued on exercise of the options will rank equally in all respects with the Company's then existing fully paid ordinary shares.
8. The Options are transferable only to entities beneficially owned by the holder.
9. If the company's ordinary shares have been admitted to quotation by the ASX, the Company must apply to the ASX within 10 business days after the date of issue for all shares issued pursuant to the exercise of Options to the admitted quotation.
10. Holders may only participate in new issues of securities to holders of ordinary shares in the Company if an Option has been exercised and shares issued in respect of the Option before the record date for determining entitlements to the issue. The Company must at least 7 business days notice to holders of any new issue before the record date for determining entitlements to that issue, in accordance with the ASX Listing Rules.
11. There will be no change to the exercise price of an Option or the number of shares over which an Option is exercisable in the event of the Company making a pro rata issue of shares or other securities to the holders of ordinary shares in the Company (other than a bonus issue).
12. If there is a bonus issue to the holders of ordinary shares in the Company, the number of shares over which an Option is exercisable will be increased by the number of shares (Bonus Shares) which the holder would have received if the Option had been exercised before the record date for the bonus issue. The Bonus Shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the bonus issue and upon issue rank equally in all respects with other shares of that class on issue at the Bonus Shares.
13. If, prior to the expiry of any Options, there is a reorganization of the issued capital of the Company, Option are to be treated in the manner set out in the ASX Listing Rules applying to reorganizations of capital at that time.