



NATURAL FUEL

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ASX ANNOUNCEMENT

DATE 19 March 2007
SUBJECT **Darwin Plant Achieves Name-Plate Capacity**
REF NO. 070319

Natural Fuels Limited (ASX:NFL) is pleased to make the following announcement in respect of the Lurgi designed biodiesel plant located on the East Arm Port of Darwin and operated by Natural Fuel Australia Limited (NFAL), a 50% owned joint venture company.

Over the past two months the plant has undergone refinements to its process and changes to the filtration unit. A pressure leaf filtration system has been installed in order to deal with variable feedstock characteristics.

As a result of these modifications the Darwin plant has achieved its name-plate production capacity of 15 metric tonnes per hour which is equivalent to an annualized rate of 138 million litres of biodiesel per annum.

NFAL is now working to bring production rates at the plant into line with those experienced at other plants designed by Lurgi. Typically, such plants operate between 110% and 120% of name-plate capacity.

In order to achieve this at the Darwin plant, modifications will be required to the existing plant configuration, including further upgrading of the filtration systems. While these improvements are being implemented, at times it will be necessary to run the plant at rates up to 20% below name-plate capacity. It is expected that these modifications will be completed by 30 June 07. The delays experienced in moving the Darwin plant to name-plate capacity will result in lower than anticipated production of biodiesel in the six months ended 30 June 2007. However it is not expected that the production rates achieved will materially affect the company's profitability in this period.

NFAL has sales agreements in place for 114 million litres of biodiesel per annum which represents up to 82 per cent of its future annual production from the Darwin facility.

Sales of biodiesel have commenced with the first deliveries of specification-quality biodiesel (Australian Biodiesel Act, 2003), being delivered direct to Ausfuel road trains via the recently



installed inline blending facility at the adjacent Vopak Fuel Terminal. Ausfuel, NFAL's Northern Territory distributor, has now started accepting biodiesel. Shipments of B100 have been delivered to ConAgra as per their offtake agreement with NFAL.

NFAL currently has in excess of 2.0 million litres of specification-quality biodiesel in storage ready for distribution. New South Wales distributor Enviro Oil, is currently awaiting shipments to Port Botany, NSW for storage and distribution at the Vopak terminal where NFAL has secured long term storage. The Darwin facility has sold multiple shipments of glycerine as the plant continues to consistently produce high quality glycerine to pharmaceutical grade 99.85% purity.

As previously announced, NFAL is currently negotiating for long term supply agreements for its palm oil feedstock at a significant discount to the current spot price. The company's feedstock procurement team is currently assessing the quality of the feedstock offering and the supply logistics.

Ends