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7 October 2008

Company Announcements Office
ASX Limited

1300 135 638

Our reference: 15133/80073973

Number of pages - 31

Dear Sir

Power Knight Pte Ltd - Acquisition of Natural Fuel Limited shares

We act for Power Knight Pte Ltd **(Power Knight)**.

In accordance with section 671B(1)(a) of the Corporations Act 2001 (Cth) we attach a Form 603 (Notice of initial substantial holder) from Power Knight, which has been sent to Natural Fuel Limited.

Yours faithfully

Matthew Johnson, Partner
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Attachment

Form 603
Corporations Act 2001
Section 671B

Notice of initial substantial holder

To Company Name/Scheme: Natural Fuel Ltd

ACN/ARSN: 106 760 418

1. Details of substantial holder (1)

Name: Power Knight Pte Ltd (Power Knight)

ACN/ARSN (if applicable):

The holder became a substantial holder on 22/08/2008

2. Details of voting power

The total number of votes attached to all the voting shares in the company or voting interests in the scheme that the substantial holder or an associate (2) had a relevant interest (3) in on the date the substantial holder became a substantial holder are as follows:

Class of securities (4)	Number of securities	Person's votes (5)	Voting power (6)
ORD	168,800,000	168,800,000	33.3%

3. Details of relevant interests

The nature of the relevant interest the substantial holder or an associate had in the following voting securities on the date the substantial holder became a substantial holder are as follows:

Holder of relevant interest	Nature of relevant interest (7)	Class and number of securities
Power Knight	Direct pursuant to the Subscription Agreement set out in Annexure A to this notice.	ORD, 168,800,000

4. Details of present registered holders

The persons registered as holders of the securities referred to in paragraph 3 above are as follows:

Holder of relevant interest	Registered holder of securities	Person entitled to be registered as holder (8)	Class and number of securities
Power Knight	Power Knight	N/A	ORD. 168,800,000

5. Consideration

The consideration paid for each relevant interest referred to in paragraph 3 above, and acquired in the four months prior to the day that the substantial holder became a substantial holder is as follows:

Holder of relevant interest	Date of acquisition	Consideration (9)		Class and number of securities
		Cash	Non-cash	
Power Knight	22/08/2008	US$20,000,000		ORD. 168,800,000

6. Associates

The reasons the persons named in paragraph 3 above are associates of the substantial holder are as follows:

Name and ACN/ARSN (if applicable)	Nature of association

7. Addresses

The addresses of persons named in this form are as follows:

Name	Address
Power Knight	No 8 Temasek Boulevard, #37-02 Suntec Tower 3, Singapore 038988

Signature

print name ANDY PE YONG WOON capacity DIRECTOR

sign here date 07 / 10 / 2008

DIRECTIONS

(1) If there are a number of substantial holders with similar or related relevant interests (eg. a corporation and its related corporations, or the manager and trustee of an equity trust), the names could be included in an annexure to the form. If the relevant interests of a group of persons are essentially similar, they may be referred to throughout the form as a specifically named group if the membership of each group, with the names and addresses of members is clearly set out in paragraph 7 of the form.

(2) See the definition of "associate" in section 9 of the Corporations Act 2001.

(3) See the definition of "relevant interest" in sections 608 and 671B(7) of the Corporations Act 2001.

(4) The voting shares of a company constitute one class unless divided into separate classes.

(5) The total number of votes attached to all the voting shares in the company or voting interests in the scheme (if any) that the person or an associate has a relevant interest in.

(6) The person's votes divided by the total votes in the body corporate or scheme multiplied by 100.

(7) Include details of:

(a) any relevant agreement or other circumstances by which the relevant interest was acquired. If subsection 671B(4) applies, a copy of any document setting out the terms of any relevant agreement, and a statement by the person giving full and accurate details of any contract, scheme or arrangement, must accompany this form, together with a written statement certifying this contract, scheme or arrangement; and

(b) any qualification of the power of a person to exercise, control the exercise of, or influence the exercise of, the voting powers or disposal of the securities to which the relevant interest relates (indicating clearly the particular securities to which the qualification applies).

See the definition of "relevant agreement" in section 9 of the Corporations Act 2001.

(8) If the substantial holder is unable to determine the identity of the person (eg. if the relevant interest arises because of an option) write "unknown."

(9) Details of the consideration must include any and all benefits, moneys and other, that any person from whom a relevant interest was acquired has, or may, become entitled to receive in relation to that acquisition. Details must be included even if the benefit is conditional on the happening or not of a contingency. Details must be included of any benefit paid on behalf of the substantial holder or its associate in relation to the acquisitions, even if they are not paid directly to the person from whom the relevant interest was acquired.

Annexure A

This annexure marked "A" of 28 pages referred to in Form 603 ("Notice of initial substantial holder") filed by Power Knight Pte Ltd signed by me and dated 07th Oct 2008

....

Andy Pe Yong Woon

Agreement

Subscription agreement

Power Knight Pte Ltd

Natural Fuel Limited

jeremy.wickens@freehills.com

Freehills

QV.1 Building 250 St Georges Terrace Perth WA 6000 Australia
GPO Box U1942 Perth WA 6845 Australia

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www.freehills.com DX 104 Perth

Sydney Melbourne Perth Brisbane Singapore

Correspondent offices in Hanoi Ho Chi Minh City Jakarta

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The agreement

Subscription agreement

Date ▸ May 2008

Between the parties

Subscriber	**Power Knight Pte Ltd** a company incorporated under the laws of Singapore, of No 8, Temasek Boulevard, #37-02 Suntec Tower 3, Singapore 03988 **(Subscriber)**
Company	**Natural Fuel Limited** ACN 106 760 418 of Level 1, 1 Outridge Crescent, Subiaco, Western Australia 6008 **(Company)**
Background	The Company has agreed to issue the Subscription Shares in the capital of the Company to the Subscriber on the terms of this agreement.
The parties agree	as set out in the Operative part of this agreement, in consideration of, among other things, the mutual promises contained in this agreement.

Operative part

1 Definitions and interpretation

1.1 Agreement components

This agreement includes any schedule.

1.2 Definitions

The meanings of the terms used in this document are set out below.

Term	Meaning
ASX	ASX Limited (ACN 008 624 691).
Authorisation	includes: 1 any consent, registration, filing, agreement, notice of non-objection, notarisation, certificate, licence, approval, permit, authority or exemption from, by or with a Government Agency; and 2 in relation to anything that a Government Agency may prohibit or restrict within a specific period, the expiry of that period without intervention or action or notice of intended intervention or action.
Bonus Issue	an issue of any securities by way of capitalisation of profits, reserves, share premium account or capital redemption reserve fund or otherwise, but excluding: 1 any issue of securities made in place of a cash payment as a dividend under the constitution of the relevant company; or 2 any other issue made by the Company for consideration.
Bonus Securities	securities issued under a Bonus Issue.
Business Day	a day on which banks are open for business in Perth excluding a Saturday, Sunday or public holiday.
Cleansing Statement	a notice to ASX under section 708A(5) of the Corporations Act.
Company's Solicitors	Freehills of Level 36, QV1 Building, St Georges Terrace, Perth WA 6000.
Company Warranties	the representations and warranties set out in Schedule 1.
Completion	the settlement of the issue of the Subscription Shares under this agreement.

Term	Meaning
Constitution	the constitution of the Company as amended or varied from time to time.
Corporations Act	the *Corporations Act 2001* (Cth).
Cut-Off Date	~~30 June 2008.~~ 10 July 2008
Debenture	has the meaning ascribed to it in the Facility Deed.
Default	has the meaning ascribed to it in the Facility Deed.
Duty	any stamp, transaction or registration duty or similar charge imposed by any Governmental Agency and includes any interest, fine, penalty, charge or other amount imposed in respect of any of them, but excludes any Tax.
Encumbrance	any interest or power: 1 reserved in or over any interest in any asset including, but not limited to, any retention of title; or 2 created or otherwise arising in or over any interest in any asset under a bill of sale, mortgage, charge, lien, pledge, trust or power, by way of, or having similar commercial effect to, security for payment of a debt, any other monetary obligation or the performance of any other obligation, or any trust or any retention of title or preferential right and includes, but is not limited to, any agreement or arrangement to grant or create any of the above in favour of any person.
Engineer's Report	a report (in a form and content reasonably satisfactory to the Subscriber) from Merloni Progetti, or another engineering firm agreed by the Company and the Subscriber in writing, providing full details of the works that would be required to upgrade Singapore Plant using the Merloni Progetti technology, or equivalent alternative technology, to ensure it is able to accept refined Jatropha as a feed stock for the production of biodiesel, such report to include a detailed schedule, timetable and an estimate of the likely cost of any adjustments necessary to achieve the upgrade.
Excluded Tax	a Tax imposed by any jurisdiction on the net income of the Subscriber but not a Tax: 1 calculated on or by reference to the gross amount of any payment (without allowance for any deduction) derived by the Subscriber under a Transaction Document or any other document referred to in a Transaction Document; or 2 imposed as a result of the Subscriber being considered a resident of or organised or doing business in that jurisdiction solely as a result of it being a party to a Transaction Document or any transaction contemplated by a Transaction Document.

Term	Meaning
Facility Deed	the convertible loan facility deed dated 24 April 2008 between the Subscriber as lender and the Company as borrower.
Financial Report	has the meaning ascribed to it in the Facility Deed.
Government Agency	any government or any governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity in any part of the world.
GST	goods and services tax or similar value added tax levied or imposed in Australia under the GST Law or otherwise on a supply.
GST Act	the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).
GST Law	has the same meaning as in the GST Act.
Immediately Available Funds	payment by electronic funds transfer into the Company's account at the Commonwealth Bank of Australia: account number: 100626136USD115601. SWIFT: CTBAAU2S.
Listing Rules	the official listing rules of the ASX as amended from time to time.
Loss	losses, liabilities, damages, costs, charges and expenses and includes Taxes and Duties.
Nominee	a person nominated by the Subscriber as the subscriber of the Subscription Shares in accordance with clause 3.2.
Official List	the official list of the ASX as defined in the Listing Rules as amended from time to time.
Shareholders Meeting	the extraordinary general meeting of the shareholders of the Company in which the Company is seeking approval, amongst other things, of the issue of the Subscription Shares in accordance with the condition in clause 2.1(a).
Share	a fully paid ordinary share in the capital of the Company.
Shareholder	a holder of a Share or Shares and **Shareholders** means the people who hold the Shares from time to time.

Term	Meaning
Singapore Plant	has the meaning given to it under the Facility Deed.
Subscriber Warranties	the representations and warranties set out in Schedule 2.
Subscription Consideration	the amount of US$20,000,000.
Subscription Price	the amount of US$0.118483 per Share.
Subscription Shares	168,800,000 Shares, to be subscribed for by the Subscriber under this agreement.
Subsidiary	a subsidiary as defined in section 46 of the Corporations Act.
Tax	1 any tax including the GST, levy, charge, impost, duty, fee, deduction, compulsory loan or withholding; or 2 any income, stamp or transaction duty, tax or charge, which is assessed, levied, imposed or collected by any Government Agency or withheld under any legislation and includes any interest, fine, penalty, charge, fee or other amount imposed on or in respect of any of the above.
Tax Authority	means any taxing or other authority responsible for the implementation, administration, collection, or enforcement of Tax Law.
Tax Law	a law with respect to or imposing any Tax.
Tax Invoice	includes any document or record treated by the Commissioner of Taxation as a tax invoice or as a document entitling a recipient to an input tax credit.
Tax Year	means income year, tax year, franking year under the Tax Law and/or tax period under the GST Law, as applicable, and any part of any such year or period or any period or time relevant to Taxation.
Transaction Documents	has the meaning ascribed to it in the Facility Deed.

1.3 Interpretation

In this agreement:

(a) headings and bold type are for convenience only and do not affect the interpretation of this agreement;

(b) the singular includes the plural and the plural includes the singular;

(c) words of any gender include all genders;

(d) other parts of speech and grammatical forms of a word or phrase defined in this agreement have a corresponding meaning;

(e) an expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency as well as an individual;

(f) a reference to a clause, party, schedule, attachment or exhibit is a reference to a clause of, and a party, schedule, attachment or exhibit to, this agreement and a reference to this agreement includes any schedule, attachment and exhibit;

(g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them;

(h) a reference to a document includes all amendments or supplements to, or replacements or novations of, that document;

(i) a reference to a party to a document includes that party's successors and permitted assignees;

(j) a promise on the part of 2 or more persons binds them jointly and severally;

(k) a reference to an agreement other than this agreement includes a deed and any legally enforceable undertaking, agreement, arrangement or understanding, whether or not in writing;

(l) a reference to liquidation or insolvency includes appointment of an administrator, compromise, arrangement, merger, amalgamation, reconstruction, winding-up, dissolution, deregistration, assignment for the benefit of creditors, scheme, composition or arrangement with creditors, insolvency, bankruptcy, or any similar procedure or, where applicable, changes in the constitution of any partnership or person, or death;

(m) no provision of this agreement will be construed adversely to a party because that party was responsible for the preparation of this agreement or that provision;

(n) a reference to a body, other than a party to this agreement (including an institute, association or authority), whether statutory or not:

    (1) that ceases to exist; or

    (2) whose powers or functions are transferred to another body,

    is a reference to the body that replaces it or that substantially succeeds to its powers or functions;

(o) a reference to any thing (including, but not limited to, any right) includes a part of that thing but nothing in this clause 1.3(o) implies that performance of part of an obligation constitutes performance of the obligation;

(p) if an act prescribed under this agreement to be done by a party on or by a given day is done after 5.00pm on that day, it is taken to be done on the next day;

(q) if a period of time is specified and dates from a given day or the day of an act or event, it is to be calculated exclusive of that day;

(r) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later; and

(s) a reference to time is a reference to Perth time.

1.4 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the preceding Business Day.

1.5 Inclusive expressions

Specifying anything in this agreement after the words 'including', 'includes' or 'for example' or similar expressions does not limit what else is included.

2 Conditions precedent to Completion

2.1 Conditions precedent

The obligations of the parties in this agreement other than in clauses 1, 2, 10 and 11 are conditional on, and do not become binding unless and until:

(a) **Shareholder approval:** the transactions contemplated by the Transaction Documents which require approval of Shareholders under law or the Constitution are approved by the necessary majority of Shareholders at a meeting of the Shareholders;

(b) **Engineer's report:** the delivery to the Subscriber of the Engineer's Report;

(c) **no default:** no Default has occurred which is continuing at Completion and no Default will result from the Subscription Shares being allotted and issued to the Subscriber in accordance with this agreement; and

(d) **representations and warranties true:** the representations and warranties set out in this agreement, including the Company Warranties, are true and correct in all material respects as of the date of execution of this agreement and the date of Completion as though made at those dates.

2.2 Satisfaction of the conditions

(a) The Company undertakes to the Subscriber that it shall use best endeavours to obtain the approval of Shareholders and satisfy the conditions referred to in clause 2.1 as quickly as is reasonably possible and in any event no later than the Cut-off Date.

(b) Each party must provide reasonable assistance to the other as is necessary to satisfy the conditions precedent in clause 2.1.

(c) Each party must provide all information as may be reasonably requested by the other party in connection with any notices or applications for approvals necessary to satisfy the conditions precedent in clause 2.1.

(d) Each party must cooperate with each other party in approaching the relevant regulatory bodies for the purposes of satisfying the condition precedent in clauses 2.1(a).

2.3 Notice

Each party must promptly notify the others in writing if it becomes aware that any condition precedent in clause 2.1 has been satisfied or has become incapable of being satisfied.

2.4 Waiver

(a) The condition precedent in clause 2.1(a) is for the benefit of the Subscriber and the Company and may only be waived by both the Subscriber and the Company.

(b) The conditions precedent in clauses 2.1(b) to 2.1(d) (inclusive) are for the benefit of the Subscriber and may only be waived by the Subscriber.

(c) A waiver of a condition:

(1) will not be effective unless it is given in writing in relation to a particular condition;

(2) may be given unconditionally or on the conditions the giver considers fit;

(3) will only apply to the obligations in relation to which it is expressed to be given unless the giver states otherwise in writing; and

(4) will not preclude the giver from refusing to waive a particular condition on another occasion or from requiring the other party to satisfy conditions that differ from the conditions applying on a prior occasion.

2.5 Cut Off Date

(a) A party may, by not less than 2 Business Days' notice to the other party, terminate this agreement at any time before Completion if any of the conditions precedent in clause 2.1 are not satisfied, or waived in accordance with clause 2.4, by the Cut Off Date.

(b) If this agreement is terminated under this clause 2.5:

(1) each party retains the rights it has against the other in respect of any breach of this agreement occurring before termination; and

(2) the rights and obligations of each party under clauses 1.2 (Definitions and interpretation), 7.9 (Indemnity), 10 (Taxes, costs and expenses) and 11 (General) will continue independently from the other obligations of the parties and survive termination of this agreement.

(c) No party may terminate or rescind this agreement (including on the grounds of any breach of Warranty or misrepresentation that occurs or becomes apparent before Completion) except as permitted under this clause 2.5.

2.6 No binding agreement for issue

For the avoidance of doubt, nothing in this agreement will cause a binding agreement for the issue of the Subscription Shares unless and until the conditions precedent in clause 2.1 have been satisfied or waived in accordance with clause 2.4 and no person will obtain rights in relation to the Subscription Shares as a result of this agreement unless and until those conditions precedent have been satisfied or waived.

3 Subscription and issue

3.1 Subscription Shares

The Company agrees to allot and issue to the Subscriber, and the Subscriber agrees to subscribe for, the Subscription Shares at the Subscription Price on the terms and conditions set out in this agreement.

3.2 Subscriber's Nominee

The Subscriber may nominate in writing to the Company at least 5 Business Days prior to Completion a nominee, being a wholly owned Subsidiary of the Subscriber, to act as subscriber of the Subscription Shares. Such nominee will assume the rights and obligations of the Subscriber under this agreement.

3.3 Subscriber continues to be bound

If the Subscriber nominates a nominee under clause 3.2, the Subscriber will continue to be bound by its obligations under this agreement.

3.4 Constitution

On issue of the Subscription Shares, the Subscriber agrees to be bound by the Constitution.

3.5 Rights and ranking

All Subscription Shares issued to the Subscriber will:

(a) be issued as fully paid;

(b) be free of Encumbrances; and

(c) rank equally in all respects with the other ordinary shares on issue in the capital of the Company as at the date of Completion.

4 Adjustments

4.1 Offers to Shareholders

(a) If at any time prior to the Subscriber being allotted and issued the Subscription Shares, the Company makes an offer to the Shareholders generally:

(1) to subscribe for Shares or other securities of the Company (whether by way of renounceable or non-renounceable rights or otherwise); or

(2) to purchase or subscribe for securities of any other corporation,

the Company must ensure that there is extended to the Subscriber (or its Nominee) the same offer that it would have received if, immediately before the date of that offer (or, if the offer was made to Shareholders registered on a particular day, then immediately before that day), it had:

(3) been allotted and issued the Subscription Shares; and

(4) or its Nominee had, become registered as the holder of the Subscription Shares.

(b) Fractional entitlements are disregarded for the purposes of this clause.

4.2 Bonus issues and reconstruction

(a) If, prior to the Subscriber being allotted and issued the Subscription Shares, the Company makes a Bonus Issue and allots to the Shareholders any Bonus Securities, then, in respect of each issue of Bonus Securities, at Completion the Company must allot and issue to the Subscriber (or its Nominee) additional securities equal to the number of Bonus Securities which would have been issued to the Subscriber if, immediately before the time for determining entitlements to those Bonus Securities, the Subscriber had:

(1) been allotted and issued the Subscription Shares; and

(2) or its nominee had, been issued all Bonus Securities (if any) to which it would then have been entitled as a result of prior application of this clause 4.2(a).

(b) Fractional entitlements are disregarded for the purposes of this clause.

//c.

(c) If, prior to the Subscriber being allotted and issued the Subscription Shares, there occurs any reduction, repayment by way of reduction, consolidation or division of the issued capital of the Company, then the entitlement of the Subscriber to be allotted and issued the Subscription Shares, must be reconstructed in the same proportion and manner as that reduction, repayment by way of reduction, consolidation or division of the issued capital of the Company (subject to the same provisions, if any, with respect to the rounding of entitlements) as is approved by the meeting of Shareholders which approves that reconstruction of capital so that the Subscriber will not receive a benefit that Shareholders do not receive.

5 Company's undertakings

The Company must:

(a) apply to ASX for quotation of the Subscription Shares in accordance with the Listing Rules within 5 Business Days of Completion;

(b) in accordance with section 708A(5) of the Corporations Act, lodge a Cleansing Statement in relation to the issue of the Subscription Shares with ASX within 5 Business Days of the issue of the Subscription Shares to the Subscriber or, if the Company is unable to comply with each of the obligations required to issue a Cleansing Statement, lodge a disclosure document complying with part 6D.2 of the Corporations Act within 5 Business Days of Completion; and

(c) comply, at its own cost, with clauses 9.1 to 9.14 of the Facility Deed from the date of this agreement until Completion.

6 Completion

6.1 Time and place for Completion

Completion must take place:

(a) on the day on which the last of the conditions precedent in clause 2.1(a) and (b) have been satisfied or waived;

(b) at the offices of the Company's Solicitors or at any other place the parties agree; and

(c) at the time (but during banking hours at that place) that the Subscriber nominates or the parties agree.

6.2 Obligations of Company

On or before Completion, the Company must procure that a meeting of the board of directors of the Company is convened and the board of directors approve, subject to Completion:

(a) the allotment and issue of the Subscription Shares to the Subscriber or its Nominee; and

(b) the issue of a holding statement for the Subscription Shares in the name of the Subscriber or its Nominee,

and do all other acts and provide all other approvals necessary to authorise the execution, delivery and performance by the Company of this agreement in accordance with its terms.

6.3 Subscription at Completion

At Completion the Subscriber must subscribe for and accept the issue of, or procure that its Nominee subscribes for and accepts the issue of, the Subscription Shares, by paying the Subscription Consideration to the Company in Immediately Available Funds.

6.4 Issue at Completion

At Completion, the Company:

(a) **(Share Issue)** must allot and issue the Subscription Shares to the Subscriber or its Nominee free from any Encumbrance or other third party rights; and

(b) **(Documentation)** must provide the documentation required by clause 6.5.

6.5 Documents to be delivered by the Company at Completion

At Completion the Company must deliver, or procure the delivery, to the Subscriber of

(a) a holding statement in respect of the Subscription Shares and a draft of the notice or document referred to in clause 5(b); and

(b) a certificate in the form set out in Schedule 4 confirming that the conditions precedents in 2.1(c) and 2.1(d) are satisfied as at Completion.

6.6 Subscriber Authorisation

The Subscriber authorises the directors of the Company to place its name on the Company's register of members in respect of the Subscription Shares and agrees to hold all Shares issued to it on and subject to the provisions of the constitution of the Company from time to time and to be bound by and observe such provisions.

7 Warranties and indemnities

7.1 Company Warranties

The Company gives the Company Warranties to and for the benefit of the Subscriber and each and all of the Company Warranties will at the time given be true and correct in all respects.

7.2 Subscriber Warranties

The Subscriber gives the Subscriber Warranties to and for the benefit of the Company.

7.3 Repetition warranties

The Warranties are given:

(a) in respect of each Warranty which is expressed to be given on a particular date, on that date; and

(b) in respect of each other Warranty, on the date of this agreement and separately as at a time immediately before Completion.

7.4 Survival

The Warranties survive the execution and Completion of this agreement and continue in time for as long as necessary to give full effect to them.

7.5 Reliance

(a) The Company acknowledges that the Subscriber enters into this agreement in reliance on each Company Warranty.

(b) The Subscriber acknowledges that the Company enters into this agreement in reliance on each Subscriber Warranty.

7.6 Independent Warranties

Each Company Warranty is separate and independent and not limited by reference to any other Warranty or any notice or waiver given by any party in connection with anything in this agreement.

7.7 Investigation

All powers of the Subscriber in connection with the Company Warranties may be enforced or made whether or not, before entry into this agreement, the Subscriber knew or could have discovered (whether by any investigation made by or on behalf of the Subscriber into the affairs of the Company or otherwise) that any Warranty has not been complied with or is otherwise untrue, incorrect or misleading.

7.8 Future events

The Company must immediately give notice to the Subscriber if anything occurs or arises prior to Completion that results or may result in any of the Company Warranties being unfulfilled, untrue, incorrect or misleading.

7.9 Indemnity

The Company indemnifies the Subscriber against any Loss suffered or incurred by the Subscriber as a result of a breach of this agreement or the Constitution by the Company.

7.10 Tax

If an amount received by the Subscriber under clause 7.9 or otherwise in respect of any action in respect of any breach of this agreement is treated as assessable or taxable income or an assessable or taxable gain of the Subscriber under any Tax Law, the indemnifying party must pay the Subscriber an additional amount so that, after deducting from the aggregate amount received by the Subscriber under this clause 7 and otherwise in respect of that action, the amount of Tax paid or payable in respect of the amount received, the balance remaining is equal to the amount received by the Subscriber under clauses 7.9 or otherwise in respect of that action.

8 Subscriber's nominees

8.1 Notice of Nominee Directors

At any time on and from the date of execution of this agreement, the Subscriber will give the Company:

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(a) a written notice nominating 3 directors to be appointed to the board of directors (**Nominee Directors**) and one of the Nominee Directors to be appointed as chairman of the Company's audit committee; and

(b) signed consents of the Nominee Directors to act as directors of the Company pursuant to section 201D of the Corporations Act.

8.2 Resignation of directors

As soon as practicable following receipt of the notice under clause 8.1, the Company must procure the resignation of such number of directors, such resignations to be on terms approved by the Subscriber and include acknowledgements that each of those persons has no claim of any nature against the Company for salary, fees, compensation for loss of office or otherwise (**Resignations**), so that the total number of directors following appointment of the Nominee Directors is 7.

8.3 Board meeting

Following Completion and within 5 Business Day of receiving the notice and consents described in clause 8.1, the Company must procure that the board of directors to convene a meeting:

(a) appoint the Nominee Directors to its board of directors;

(b) appoint as the chairman of its audit committee the Nominee Director so nominated in the notice of the Subscriber described in clause 8.1; and

(c) approve the Resignations.

8.4 Acknowledgement

The Subscriber acknowledges that under the article 3.4 of the Company's constitution, any directors appointed under clause 8.1 must have their appointment confirmed by resolution of the Company at its next annual general meeting.

9 Use of funds

The Company agrees to use the funds raised from the allotment and issue of the Subscription Shares only:

(a) in connection with the Singapore Plant;

(b) for working capital purposes; or

(c) for general corporate purposes.

10 Tax, costs and expenses

10.1 Tax

(a) The Company must pay any Tax, other than an Excluded Tax in respect of the Subscriber, which is payable in respect of a Transaction Document (including in respect of the execution, delivery, performance, release, discharge, amendment or enforcement of a Transaction Document).

(b) The Company must pay any fine, penalty or other cost in respect of a failure to pay any Tax described in clause 10.1(a) except to the extent that the fine, penalty or other cost is caused by the Subscriber's failure to lodge money received from the Company within 5 Business Days before the due date for lodgement.

(c) The Company indemnifies the Subscriber and/or its Nominee against any amount payable under clause 10.1(a) or (b).

10.2 Costs and expenses

(a) The Company must pay its own and the Subscriber's costs and expenses in relation to the negotiation, preparation, execution, delivery, completion, variation and discharge of the Facility Deed, this agreement and the Debenture.

(b) The Company must reimburse the Subscriber on demand for, and indemnifies the Subscriber against all legal fees, costs and disbursements (on a solicitor/own client basis) incurred in connection with exercising, enforcing or preserving, or attempting to exercise, enforce or preserve, rights under the Facility Deed, this agreement, the Escrow Agreement and the Debenture, including any expenses incurred in the evaluation of any matter of material concern to the Subscriber.

(c) The Company:

(1) must pay all stamp duty, transaction, registration and similar Taxes, including fines and penalties and debits tax which may be payable to or required to be paid by any appropriate authority or determined to be payable in connection with the execution, delivery, performance, enforcement or registration of the Transaction Documents or any payment, receipt or other transaction contemplated by them; and

(2) indemnifies the Subscriber against any loss or liability incurred or suffered by it as a result of the delay or failure by the Company to pay Taxes in accordance with clause 10.2(c)(1).

10.3 GST

(a) If GST is or will be imposed on a supply made under or in connection with a Transaction Document by the Subscriber, the Subscriber may, to the extent that the consideration otherwise provided for that supply is not stated to include an amount in respect of GST on the supply:

(1) increase the consideration otherwise provided for that supply under the Transaction Document by the amount of that GST; or

(2) otherwise recover from the recipient of the supply the amount of that GST.

(b) The Subscriber must issue a Tax Invoice to the recipient of the supply no later than 5 Business Days after payment to the Subscriber of the GST inclusive consideration for that supply.

11 General

11.1 Confidential information

Each party must comply with their confidentiality obligations under clause 18.1 of the Facility Deed with respect to this agreement.

11.2 Notices

Any notice or communication under this agreement must be given in accordance with the notice provisions in clause 18.3 of the Facility Deed and addressed to the parties in accordance with its details set out in Schedule 3.

11.3 Governing law and jurisdiction

(a) This agreement is governed by the law in force in Western Australia.

(b) Each party irrevocably submits to the non-exclusive jurisdiction of courts exercising jurisdiction in Western Australia and courts of appeal from them in respect of any proceedings arising out of or in connection with this agreement. Each party irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

11.4 Invalidity and enforceability

(a) If any provision of this agreement is invalid under the law of any jurisdiction the provision is enforceable in that jurisdiction to the extent that it is not invalid, whether it is in severable terms or not.

(b) Clause 11.4(a) does not apply where enforcement of the provision of this agreement in accordance with clause 11.4(a) would materially affect the nature or effect of the parties' obligations under this agreement.

11.5 Waiver

No party to this agreement may rely on the words or conduct of any other party as a waiver of any right unless the waiver is in writing and signed by the party granting the waiver.

The meanings of the terms used in this clause 11.5 are set out below.

Term	Meaning
Conduct	includes delay in the exercise of a right.
Right	any right arising under or in connection with this agreement and includes the right to rely on this clause.
Waiver	includes an election between rights and remedies, and conduct that might otherwise give rise to an estoppel.

11.6 Variation

A variation of any term of this agreement must be in writing and signed by the parties.

11.7 Assignment of rights

Rights arising out of or under this agreement are not assignable by a party except in accordance with clause 16 of the Facility Deed.

11.8 Entire agreement

(a) This agreement states all the express terms of the agreement between the parties in respect of its subject matter. It supersedes all prior discussions, negotiations, understandings, arrangements and agreements, express or implied in respect of its subject matter, except for the other Transaction Documents.

(b) As between the parties, if there is any inconsistency (whether expressly referred to or to be implied from this agreement or otherwise) between the provisions of this agreement and the provisions of another Transaction Document, that Transaction Document is to be read subject to this agreement and the provisions of this agreement prevail to the extent of any inconsistency.

11.9 No reliance

Neither party has relied on any statement by the other party not expressly included in this agreement or the Transaction Documents.

11.10 Counterparts

This agreement may be executed in any number of counterparts. All counterparts, taken together, constitute one instrument. A party may execute this agreement by signing any counterpart.

11.11 Relationship of the parties

(a) Nothing in this agreement gives a party authority to bind any other party in any way.

(b) Nothing in this agreement imposes any fiduciary duties on a party in relation to any other party.

11.12 Exercise of discretions

(a) Unless expressly required by the terms of this agreement, a party is not required to act reasonably in giving or withholding any consent or approval or exercising any other right, power, authority, discretion or remedy, under or in connection with this agreement.

(b) A party may (without any requirement to act reasonably) impose conditions on the grant by it of any consent or approval, or any waiver of any right, power, authority, discretion or remedy, under or in connection with this agreement. Any conditions must be complied with by the party relying on the consent, approval or waiver.

11.13 Attorneys

Each of the attorneys executing this agreement states that the attorney has no notice of the revocation of the power of attorney appointing that attorney.

Schedule 1

Company Warranties

1 General Warranties

1.1 Registration

The Company warrants that:

(a) **(Registration)** it is a corporation registered (or taken to be registered) and validly existing under the Corporations Act.

(b) **(Incorporation)** it is validly incorporated, organised and subsisting in accordance with the laws of its place of incorporation.

(c) **(Power and capacity)** it has full power and capacity to enter into and perform its obligations under this agreement.

(d) **(Corporate authorisations)** all necessary authorisations for the execution, delivery and performance by the Company of this agreement in accordance with its terms have been obtained or will be obtained prior to Completion.

(e) **(No legal impediment)** the execution, delivery and performance of this agreement:

(1) complies with its constitution or other constituent documents (as applicable); and

(2) does not constitute a breach of any law or obligation, or cause or result in a default under any agreement, or Encumbrance, by which it is bound and that would prevent it from entering into and performing its obligations under this agreement.

(f) **(No liquidation)**: the Company and each of its Subsidiaries have not:

(1) gone, or proposed to go, into liquidation; or

(2) passed a winding-up resolution or commenced steps for a winding-up or dissolution.

(g) **(winding up)**: no petition or other process for winding-up or dissolution has been presented or threatened against the Company or any of its Subsidiaries and, so far as the Company is aware, there are no circumstances justifying such a petition or other process.

(h) **(receiver or manager)**: in respect of the Company and each of its Subsidiaries, no receiver, receiver and manager, judicial manager, liquidator, provisional liquidator, administrator, official manager has been appointed, or is threatened or expected to be appointed, over the whole or a substantial part of the undertaking or property of the Company or any of its Subsidiaries, and, so far as the Company is aware, there are no circumstances justifying such an appointment.

(i) **(deregistration)**: neither the Company nor any of its Subsidiaries are deregistered, nor have any steps been taken to deregister the Company or any of its Subsidiaries under the Corporations Act or analogous legislation.

(j) **(solvency)**: the Company and each of its Subsidiaries are able to pay their debts as and when they fall due. Neither the Company nor any of its Subsidiaries are taken under applicable laws to be unable to pay their debts or has stopped or suspended, or threatened to stop or suspend, payment of all or a class of their debts.

(k) **(Capital Structure)** the capital structure of the Company is as set out in Schedule 3 and there are no outstanding subscription agreements, options or rights to acquire from the Company any unissued shares or which otherwise confer on the holder or holders thereof any right (whether or not upon the happening of any contingency or after any lapse of time and whether or not upon the payment or delivery of any consideration) to acquire any unissued shares of any class nor is the Company committed to grant or issue any such option, warrant, right or security other than pursuant to the exercise or conversion of any of the convertible instruments or options set out in Schedule 3.

(l) **(Ownership)** the Subscriber will acquire at Completion:

(1) the full legal and beneficial ownership of the Subscription Shares free and clear of all Encumbrances, subject to registration of the Subscriber in the register of shareholders;

(2) the Subscription Shares free of competing rights, including pre-emptive rights or rights of first refusal; and

(3) the Subscription Shares that are fully paid and have no money owing in respect of them.

2 Business Warranties

2.1 Quotation warranties

(Official list) The Company warrants that:

(a) it has been admitted to and is listed on the Official List;

(b) it has not been removed from the Official List and no removal from the Official List has been threatened by the ASX; and

(c) except for the shareholder approval referred to in clause 2.1(a)there is no restriction on the allotment and issue of the Subscription Shares to the Subscriber;

(d) the Subscription Shares will, once issued, rank pari passu with all other Shares;

(e) the Subscription Shares will be free from all liens, charges and other Encumbrances;

(f) the Shares are in a class of securities that were quoted securities at all times since the date that is 12 months before the date of Completion;

(g) trading in that class of securities on ASX was not suspended for more than a total of 5 days since the date that is 12 months before the date of Completion;

(h) no exemption under section 111AS or 111AT of the Corporations Act covered the Company, or any person as director or auditor of the Company, at any time in the previous 12 months;

(i) no order under section 340 or 341 of the Corporations Act covered the Company, or any person as director or auditor of the Company, at any time in the previous 12 months;

(j) as at the date of signing of this Agreement, the board of directors of the Company does not have any proposal to issue securities, other than the issue of Shares pursuant to the exercise of existing options, the issue of the Subscription Shares pursuant to this Agreement, the granting of any employee options approved by the board of directors of the Company and on the exercise or conversion of any of the convertible instruments or options set out in Schedule 3.

2.2 Disclosure warranties

The Company warrants that:

(a) **(Information)** to the best of the Company's knowledge all information provided to the Subscriber in relation to its assets, business or affairs in connection with the offer, subscription and issue of the Subscription Shares or this agreement was accurate and not misleading in a material respect (by omission or otherwise) at the time it was provided and after making due and careful enquiries the Company is not aware of any fact or matter not disclosed in writing to the Subscriber which renders any such information untrue, inaccurate or misleading.

(b) **(Disclosure obligations)** it is in compliance with its periodic and continuous disclosure obligations under the Listing Rules and the Corporations Act and has disclosed to the ASX all material information concerning the assets and liabilities, financial position and performance and profits and losses of the Company and its business operations of which the Company is aware, or ought reasonably to be aware.

Schedule 2

Subscriber Warranties

1 General Warranties

The Subscriber warrants in respect of itself and any Nominee that:

(a) **(Power and capacity)** it has full power and capacity to enter into and perform its obligations under this agreement.

(b) **(Registered)** it is a corporation registered (or taken to be registered) and validly existing under the laws of Singapore;

(c) **(Corporate Authorisations)** all necessary authorisations for the execution, delivery and performance by the Subscriber and any Nominee of this agreement in accordance with its terms have been obtained or will be obtained prior to Completion.

(d) **(No legal impediment)** the execution, delivery and performance of this agreement:

(1) complies with its constitution or other constituent documents (as applicable); and

(2) does not constitute a breach of any law or obligation, or cause or result in a default under any agreement, or Encumbrance, by which it is bound and which would prevent it from entering into and performing its obligations under this agreement.

Freehills

Schedule 3

Schedule of Capital

	Shares	Convertible instruments/options
Listed Shares	337,812,127	0
2008 Natural Fuel employee options	0	21,288,572
Convertible Bonds	0	187,986,391
Tropical Oils Options	0	12,000,000
Mike Coote Working Capital Loan Conversion Right	0	34,615,385
Power Knight ~~Riejadson~~ First Tranche Conversion Right	0	50,629,493
Power Knight ~~Riejadson~~ Second Tranche Conversion Right	0	118,135,485
Pre-IPO vendor and promoter options	0	51,900,000
Current total capital	**337,812,127**	**476,555,326**

Schedule 3

Notice details

Company	**Natural Fuel Limited**
Address	Level 1, 1 Outridge Crescent, Subiaco, Western Australia 6008
Attention	Mathew Whyte
Phone	+61 8 9286 6786
Fax	+61 8 9286 6787
Email	mwhyte@naturalfuel.com
Subscriber	**Power Knight Pte Ltd**
Address	No 8 Temasek Boulevard, #37-02 Suntec Tower 3, Singapore 038988
Attention	Arwan Ahimsa
Fax	+62 21 5722 472
Email	arwan@rbi.co.id

Schedule 4

Form of confirmation required under clause 6.5(b)

To: The Directors
Power Knight Pte Limited (**Power Knight**)

In accordance with clause 6.5(b) of a subscription agreement dated [ ] May 2008 between Power Knight and Natural Fuel Limited (**Subscription Agreement**), Natural Fuel Limited confirms the following matters.

(Definitions used are taken from the Subscription Agreement)

(a) no Default has occurred which is continuing at Completion and no Default will result from the Subscription Shares being allotted and issued to the Subscriber in accordance with the Subscription Agreement;

(b) the representations and warranties set out in the Subscription Agreement, including the Company Warranties, are true and correct in all material respects as of the date of Completion, as though made on that date; and

(c) that consequently the conditions precedent in clauses 2.1(c) and 2.1(d) are satisfied.

date ______________________

Signed by
Natural Fuel Limited
by

sign here ► ______________________
Company Secretary/Director

print name ______________________

sign here ► ______________________
Director

print name ______________________

Signing page

Executed as an agreement

Company

Signed by
Natural Fuel Limited
by

sign here ▶ ______________________
Company Secretary/Director

print name ______________________

sign here ▶ ______________________
Director

print name ______________________

Subscriber

Signed by
Power Knight Pte Ltd
by its attorney,

sign here ▶ ______________________
Attorney

print name ______________________

sign here ▶ ______________________
Witness

print name ______________________