APPENDIX 4C

QUARTERLY REPORT
FOR ENTITIES ADMITTED
ON THE BASIS OF COMMITMENTS

Name of entity

NATURAL FUEL LIMITED (NFL)

ABN

52 106 760 418

Quarter ended ("current quarter")

30 SEPTEMBER 2008

CONSOLIDATED STATEMENT OF CASH FLOWS

		Current quarter $A'000	Year to date (3 months) $A'000
Cash flows related to operating activities			
1.1	Receipts from customers	2,328	2,328
1.2	Payments for operating expenses	(7,510)	(7,510)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	31	31
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)		
	Net operating cash flows	(5,151)	(5,151)

+ See chapter 19 for defined terms.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

		Current quarter $A'000	Year to date (3 months) $A'000
1.8	Net operating cash flows (carried forward)	(5,151)	(5,151)
	Cash flows related to investing activities		
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	(6,792)	(6,792)
	(e) other non-current assets	-	-
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	-	-
1.11	Loans to NFAL (equity accounted associate) (*refer to 1.26)	(500)	(500)
1.12	Loans repaid by other entities	-	-
1.13	Other (provide details if material)	-	-
	Net investing cash flows	(7,292)	(7,292)
1.14	**Total operating and investing cash flows**	**(12,443)**	**(12,443)**
	Cash flows related to financing activities		
1.15a	Proceeds from issues of shares (net of costs)	22,820	22,820
1.15b	Residual cost on capital raising	(54)	(54)
1.16	Proceeds from exercise of options	-	-
1.17	Proceeds from borrowings (Power Knight Loan)	-	-
1.18	Repayment of borrowings (Finance lease payments)	(3,932)	(3,932)
1.19	Payment of interest (Ganesha Loan)	(82)	(82)
1.20	Dividends paid	-	-
1.20	Other (provide details if material)	-	-
	Net financing cash flows	18,752	18,752
	Net increase (decrease) in cash held	6,309	6,309
1.21	Cash at beginning of quarter/year to date	16,244	16,244
1.22	Exchange rate adjustments to item 1.20	(844)	(844)
1.23	**Cash at end of quarter***(*refer to 1.26)*	21,709	21,709

+ See chapter 19 for defined terms.

PAYMENTS TO DIRECTORS OF THE ENTITY AND ASSOCIATES OF THE DIRECTORS
PAYMENTS TO RELATED ENTITIES OF THE ENTITY AND ASSOCIATES OF THE RELATED ENTITIES

		Current quarter $A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	(520)
1.25	Aggregate amount of loans to the parties included in item 1.11 (*refer to 1.26)	(500)

1.26 Explanation necessary for an understanding of the transactions

- Of the cash balance in item 1.23, A$6.96m is reserved as a bankers guarantee
- The aggregate amount in item 1.25, represents working capital advance to fund Natural Fuels Australia Limited, a 50% equity accounted entity, which is currently under Administration

NON-CASH FINANCING AND INVESTING ACTIVITIES

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

FINANCING FACILITIES AVAILABLE

		Amount available $A'000	Amount drawn $A'000
3.1a	Loan facilities – Working Capital	4,500	4,500
3.1b	Loan facilities – Power Knight Loan	21,037	21,037
3.2	Credit standby arrangements	-	-
3.3	Equity subscription agreement – Power Knight	22,820	22,820

There are two parts to the Power Knight funding arrangement:

1. US$20M Project Finance Loan
   The Project Finance Loan which was drawn down in June 08 quarter, has a term of 2 years secured by a first ranking charge over the assets of the Company's Singapore subsidiary, Natural Fuels Pte Ltd, excluding its inventory financing assets, has an interest rate of 10% per annum payable half-yearly. On 24 April, NFL signed a Convertible Facility Deed under which Power Knight has the right to convert the outstanding balance of the US$20 million loan into approximately 168.8 million NFL shares at a US dollar denominated conversion price equal to A$0.13 per share.

2. US$20M Subscriptions
   During the current quarter Power Knight subscribed for a Placement of 168.8 million NFL shares for a total issue price of US$20 million (equivalent to A$0.13 per share at the exchange rate on 25 March 2008).

RECONCILIATION OF CASH

+ See chapter 19 for defined terms.

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter $A'000	Previous quarter $A'000
4.1 Cash on hand and at bank	14,574	8,738
4.2 Deposits at call	7,135	7,506
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	21,709	16,244

ACQUISITIONS AND DISPOSALS OF BUSINESS ENTITIES

	Acquisitions *(Item 1.9(a))*	Disposals *(Item 1.10(a))*
5.1 Name of entity		
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

COMPLIANCE STATEMENT

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.

2 This statement does /~~does not~~* *(delete one)* give a true and fair view of the matters disclosed.

Sign here: Date: 31 October 2008
(Director/Company secretary)

Print name: **MATHEW JOSEPH WHYTE**

+ See chapter 19 for defined terms.

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.

   - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
   - 9.2 - itemised disclosure relating to acquisitions
   - 9.4 - itemised disclosure relating to disposals
   - 12.1(a) - policy for classification of cash items
   - 12.3 - disclosure of restrictions on use of cash
   - 13.1 - comparative information

3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.