

AJS:TB:AP:D11
A Puddy

27 October 2009

PERTH

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NATURAL FUEL LIMITED ACN 106 760 418
(Administrators Appointed) ("NFL")

CIRCULAR TO SHAREHOLDERS

I refer to the appointment of Martin Jones, Darren Weaver and myself as Joint and Several Voluntary Administrators of NFL pursuant to Section 436A of the Corporations Act 2001 ("the Act") on 9 April 2009.

We advise that at the reconvened second meeting of creditors of NFL held on 20 October 2009, creditors resolved that NFL execute a Deed of Company Arrangement ("DOCA") pursuant to Part 5.3A of the Corporations Act on the terms proposed by NRG Capital Pty Ltd as detailed in the Second Administrators' Reports to Creditors dated 12 October 2009.

A summary of NRG's proposal is attached to this circular for shareholders information.

If you require any further information concerning NRG's proposal or the administration generally you may wish to visit our website at www.ferrierhodgson.com.

Should you have any queries in relation to this matter, please do not hesitate to contact either Adam Puddy or Sean Holmes of this office.



ANDREW SAKER
Joint and Several Administrator of
Natural Fuel Limited

ADELAIDE
BRISBANE
MELBOURNE
NEWCASTLE
SYDNEY
HONG KONG
JAKARTA
KUALA LUMPUR
MANILA
MUMBAI
SHANGHAI
SINGAPORE
TOKYO

affiliated through
Zolfo Cooper
and
Kroll Worldwide
UNITED STATES
UNITED KINGDOM

Key Elements	Terms
Cash Consideration	\$575,000 with a 10% deposit after the DOCA is approved by creditors and executed. The deposit is fully refundable if the transaction does not proceed. In full and final satisfaction of creditor claims.
Structure	Deed of Company Arrangement, with funds paid into creditor's trust where all liabilities are transferred to on execution of the DOCA. All assets other than the retained assets mentioned below will also be transferred to the creditors trust.
Timing	Cash consideration will be paid within a reasonable time after the receipt of ASX approval or if shareholder approval is required, after that approval is obtained.
Assets Purchased	1. The NFL shell; 2. The shareholding in NFAL (and their assets); and 3. The shareholding in NFE (and their assets).
Costs	The reasonable legal costs of the administrators for the preparation of the DOCA (to be agreed) will be paid by the Syndicate. The syndicate will co-ordinate and pay the reasonable costs of the capital raisings, shareholder meeting notices, prospectus and preparation of accounts. These funds will be reimbursed to the Syndicate out of the capital raisings.
Precedent Conditions	1. Creditor Approval; 2. ASX confirming it will reinstate trading in NFL's securities on completion (on terms acceptable to the Syndicate); 3. Seeking and obtaining shareholder approval for: • The capital raisings mentioned below (to the extent required by the ASX); and • Appointment of Joshua Wellisch as a director of NFL.
Capital Raisings / Post Recon Share Structure	The Syndicate will take an initial placement in NFL of 575 million shares at 0.1cents per share to raise \$575,000. They will arrange a broker to underwrite a non renounceable rights issues of: 1 share for every 2 shares held; and 1 free option (exercisable at 1cent on or before 1 December 2012) for every 2 shares subscribed, at a price of \$0.25 cents per new share to raise approximately \$1,390,833.
Convertible Bondholder Rights	The conversion rights on the convertible bonds will be cancelled and the debt transferred to the Creditors Trust.
Administrators Requirements	Not specified