



NATURAL FUEL

13 July 2011

Company Announcements Office
Australian Securities Exchange
10th Floor
20 Bond Street
SYDNEY NSW 2000

Dear Sir/Madam

ACQUISITION OF OPERATING OIL FIELDS IN SAN JOACHIN BASIN

The Board of Natural Fuel Limited (ASX:NFL) is pleased to advise that it has today entered into an Heads of Agreement to acquire a 100% interest in two operating oil fields in the San Joachin Basin near Bakersfield, California.

The fields are currently producing at a combined rate of approximately 70 barrels of oil per day (bopd) from 7 existing wells, with production anticipated to increase following seven work overs planned through the next two months.

NFL has also secured an option to acquire a 70% working interest in, and operatorship of, an additional 500 acres targeting Vedder Sands in the Kern River Region.

In addition, the acquisition includes the right to earn a 15% working interest in a highly prospective license (PEP 38 1024) in the Taranaki Basin in New Zealand with a well scheduled to be drilled in Q1 of 2012 into the Mangatua target within that license.

The acquisition is to be satisfied by the issue of 30 million shares together with 15 million performance shares (Performance Shares), and is subject to two outstanding conditions precedent, as follows:

- The wells flowing at an initial rate of over 50 bopd for 30 days or greater. This condition precedent is expected to be satisfied shortly.
- The approval of the arrangements by shareholders of NFL. A Notice of Meeting will be dispatched to shareholders towards the end of July for approval in August.

The issue of the Performance Shares is also subject to ASX approval under Listing Rules 6.1 and 6.2.

The Performance Shares convert into ordinary shares on a one for one basis upon achievement of the following milestones. If the milestones are not achieved within 2 years, the Performance Shares will be cancelled by the Company:

- 5 million on the successful re-instatement to trading on the ASX of the Company;
- 5 million on the achievement of production of 500 barrels of oil per day for a minimum of 30 production days; and
- 5 million on the Company trading on the ASX at or above a share price of \$0.50 for 5 consecutive trading days.

NFL has been suspended from trading since 9 April 2009, after which Administrators were appointed to the Company on 14 April 2009. The Company has been under a Deed of Company Arrangement since 18 November 2009, with the Company announcing on 3 June 2011 that this Deed had been effectuated and the control of the Company was now back in the hands of the Company Directors.

NFL is entering into these arrangements with the view to seeking reinstatement on the ASX through re-compliance with Chapters 1 and 2 of the ASX Listing Rules as an oil and gas participant. The Company will remain suspended until re-compliance is complete.

The acquisition outlined above has not been reviewed by the ASX and will not necessarily lead to readmission if the conditions for admission are not met.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Simon Lill', is written over the 'Yours faithfully' text.

Simon Lill
Director
Natural Fuel Limited