

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")

31 DECEMBER 2008

CONSOLIDATED STATEMENT OF CASH FLOWS

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from customers	2,300	4,628
1.2 Payments for operating expenses	(7,305)	(14,815)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	93	124
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	(4,912)	(10,063)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
© intellectual property	-	-
(d) physical non-current assets	644	(6,148)
(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)
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	644	(6,648)
1.14 Total operating and investing cash flows	(4,268)	(16,711)

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CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

	Current quarter \$A'000	Year to date (6 months) \$A'000
Net operating and investing cash flows (carried forward)	(4,268)	(16,711)
Cash flows related to financing activities		
1.15a Proceeds from issues of shares (net of costs)	-	22,820
1.15b Residual cost on capital raising	(234)	(288)
1.16 Proceeds from exercise of options	-	-
1.17 Proceeds from borrowings (Delma Nominees Loan)	719	719
1.18 Repayment of borrowings (Finance lease payments)	(6,016)	(9,948)
1.19a Payment of interest (Ganesha Loan)	(59)	(141)
1.19b Payment of interest (Power Knight Loan)	(1,278)	(1,278)
1.19c Payment of interest (US Convertible Bonds)	(3,402)	(3,402)
1.20 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
Net financing cash flows	(10,270)	8,482
Net increase (decrease) in cash held	(14,538)	(8,229)
1.21 Cash at beginning of quarter/year to date	21,709	16,244
1.22 Exchange rate adjustments to item 1.9	844	-
1.23 Cash at end of quarter (*refer to 1.26)	8,015	8,015

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	(163)
1.25 Aggregate amount of loans to the parties included in item 1.11 (*refer to 1.26)	-
1.26 Explanation necessary for an understanding of the transactions	
Of the cash balance in item 1.23, A\$5.02m is reserved as a bankers guarantee.	

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	N/A
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	N/A

FINANCING FACILITIES AVAILABLE

	Amount available AUD	Amount drawn AUD
3.1a Loan facilities – Working Capital	4,500,000	4,500,000
3.1b Loan facilities – Project Finance Loan	21,037,460	21,037,460
3.1c Loan facilities – Working Capital	719,425	719,425

(a) **Working Capital - Ganesha Nominees Pty Ltd**

In March 2008, NFL executed an agreement to borrow A\$4.5m from Ganesha Nominees Pty Ltd. The uncured loan accrues interest at a variable rate of interest calculated as BBSW plus a 3.2% p.a. margin.

In June 2008, shareholders approved the issue of up to 34,615,385 shares to Ganesha Nominees upon conversion of a convertible loan facility at the option of the Company for the purposes of Listing Rule 10.11. Ganesha Nominees is a company controlled by Michael Coote, who resigned as a director of the Company on 28 November 2008. For the purposes of the Corporations Act and the Listing Rules, Ganesha Nominees is deemed to be a related party of the Company until 28 May 2009, being 6 months after the date of Mr Coote's retirement.

The Company has received a waiver from Listing Rule 10.13.3 from ASX. The waiver allows the Company to issue the shares to Ganesha later than 1 month following shareholder approval.

The waiver is conditional upon the terms of the waiver being released to the market and the shares being issued by no later than 31 January 2009.

Since shareholder approval of the arrangements, the Company and Ganesha Nominees have agreed to extend the period of the loan from 31 December 2008 until 31 December 2009.

After 28 May 2009, Ganesha Nominees will no longer be deemed a related party of the Company and therefore the Company may issue the shares on conversion of the loan facility without shareholder approval. The Company does not intend to exercise its conversion right until after Ganesha Nominees ceases to be a related party.

(b) **Project Finance Loan – Power Knight Pte Ltd**

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.

(c) **Working Capital – Delma Commodities Pte Ltd**

The working capital loan which was drawn down on 24 December 2008, has a term of 6 months secured by a second ranking charge over the assets of the Company's Singapore subsidiary, Natural Fuels Pte Ltd, excluding its inventory financing assets, and has an interest rate of 10% per annum payable bi – annually..

RECONCILIATION OF CASH

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	2,637	14,574
4.2 Deposits at call	5,378	7,135
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	8,015	21,709

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 ~~not~~* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:

Company secretary



Date: 30 January 2009

Print name: **MATHEW WHYTE**

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