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# **Second Administrators' Report**

**Pursuant to Section 439A of the Corporations Act 2001**



**NATURAL FUEL LIMITED ACN 106 760 418  
(Administrators Appointed)**

**Darren Weaver**

**Andrew Saker**

**Martin Jones**

**12 October 2009**



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## GLOSSARY OF TERMS

Abbreviation	Description
ABN	Australian Business Number
ACN	Australian Company Number
The Act	The Corporations Act 2001
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
NFPL	Natural Fuel Pte Limited
NPE	Natural Fuel and Energy Inc
NFAL	Natural Fuels Australia Limited
NFD	Natural Fuels Darwin Pty Ltd
DOCA	Deed of Company Arrangement
ERV	Estimated Realisable Value
GEERS	General Employee Entitlements Redundancy Scheme
Statement	Directors' Statement about the Company's Business, Property, Affairs and Financial Circumstances
ASX	Australian Securities Exchange
AIM	London Stock Exchange – Alternative Investment Market

## LISTING OF ANNEXURES

<b>Annexure 1</b>	Administrators' Remuneration
	Deed Administrators' Remuneration
	Liquidators' Prospective Remuneration
	The Firm's Schedule of Hourly Rates & General Guide to Staff Experience
<b>Annexure 2</b>	DOCA Proposals
<b>Annexure 3</b>	Summary of Receipts and Payments

## 1. EXECUTIVE SUMMARY

Andrew Saker, Darren Weaver and Martin Jones were appointed as Joint and Several Administrators of Natural Fuel Limited, on 9 April 2009 pursuant to Section 436A of the Corporations Act 2001 (“the Act”). We refer to our previous Report to Creditors dated 7 August 2009 which should be read in conjunction with this further report.

At the second meeting of creditors held on 17 August 2009 creditors resolved to adjourn the meeting for a period of up to 45 business days as per the Administrators’ recommendation for the following reasons:

- a) To allow the Administrators further time to continue discussions with a number of interested parties of NFL and NFPL (and submit final offers as per the Administrators’ timeframe discussed within this report) with regard to the possible restructure and recapitalisation of NFPL and ultimately leading to a DOCA proposal being put forward to creditors for NFL; and
- b) Following the above, the Administrators would be in a better position to assess the Company’s financial position and advise of the potential return to creditors under the various options that are proposed regarding the future of the Company.

There are sections of this report wherein we considered it inappropriate to disclose certain information to creditors. Such information includes:

- Identity and nature of interest of the interested parties;
- Valuations of specific assets; and
- Valuation of the business.

We recognise the need to provide creditors with adequate disclosure of necessary information relating to the Company. However, we believe that as some of this information is commercially sensitive it is not in the creditors’ interests to disclose the information publicly at this stage. We note that at the appropriate time creditors will be apprised of this information. We make this comment with particular respect to the valuation of the biodiesel facility located on Jurong Island, Singapore.

We sought expressions of interest for the sale of NFL’s corporate shell with a view to relisting on the ASX and effectuating a recapitalisation. As per our timetable we called for final offers for the purchase of the corporate shell to be submitted by 24 September 2009. In this regard, a number of final offers were received from various parties and following which we negotiated the terms and conditions of the best offers with a view to executing a Deed of Company Arrangement (“DOCA”).

The final offers have been reviewed and assessed by the Administrators in consultation with the Committee of Creditors.

Further, we received three (3) final offers for the recapitalisation of NFL entailing DOCA proposals. The Administrators have conducted an assessment of the DOCA proposals put forward and recommend that creditors accept the DOCA proposal put forward by NRG Capital Pty Ltd (“NRG”) for the following key reasons:

1. Under the NRG proposal, unsecured creditors of NFL are expected to receive a dividend of approximately 0.2 cents in the dollar in respect of their debts owing as at 9 April 2009. This anticipated return is greater than in a liquidation scenario where the estimated dividend is Nil cents in the dollar to unsecured creditors. The acceptance of this proposal will also satisfy priority creditors in full, compared to the liquidation scenario of which it is anticipated that priority creditors will receive a dividend of 65 cents in the dollar.
2. It offers lower completion risks compared to the other DOCA proposals received.

We note that Cygnet proposal provides for a greater cash consideration, however, NRG comes with lower completion risk in relation to the shareholder resolution.

The DOCA proposals are discussed in greater detail in section 9 of this report.

The reconvened second meeting of creditors of NFL will be held on Tuesday, 20 October 2009 at the offices of Ferrier Hodgson, Level 26, BankWest Tower, 108 St George’s Terrace, Perth WA at 2.30 pm Western Standard time.

At the reconvened second meeting, the following options are available to creditors regarding NFL’s future:

- That the administration should end and control of the Company revert to its Directors;
- That the Company execute a DOCA; or
- That the Company should be wound up.

## **2. INTRODUCTION**

### **2.1 Second Meeting of Creditors**

At the second meeting of creditors held on 17 August 2009, creditors resolved to adjourn the meeting for a period of up to 45 business days, which was sought to provide the Administrators with further time to:

- a) Coincide with the proposed four (4) month moratorium of Natural Fuel Pte Limited (“NFPL”) that was being sought by the directors; and

- b) Continue discussions with a number of interested parties with regard to the possible restructure and / or recapitalisation of NFL and NFPL, ultimately leading to a DOCA proposal being put forward to creditors.

### **2.1.1 Second Committee of Creditors' Meeting**

A second meeting of the Committee of Creditors was held on 29 June 2009 wherein an update was provided by the Administrators on the following matters:

- Solicitation process of NFPL;
- Update regarding the administration of NFL; and
- Status of the Section 210 application in Singapore to impose a moratorium with major creditors.

We provided the Committee with a general opportunity to discuss the status of NFL's administration and the progress of implementing an informal / formal moratorium with creditors of NFPL to effectuate a restructuring of both entities.

### **2.1.2 Third Committee of Creditors' Meeting**

A third meeting of the Committee of Creditors was held on 5 October 2009 wherein an update was provided by the Administrators on the following matters:

- Solicitation process and final offers received;
- Statement of position and estimated return to creditors; and
- General administration update, including working capital estimate, employee entitlement issues and Administrators' remuneration approval.

We provided the Committee with an opportunity to review and discuss the final offers that were received in relation to the sale of the corporate shell of NFL.

## **2.2 Reconvened Second Meeting of Creditors**

The reconvened second meeting of creditors of NFL will be held on Tuesday, 20 October 2009 at the offices of Ferrier Hodgson, Level 26, BankWest Tower, 108 St George's Terrace, Perth WA at 2.30pm Western Standard time.

At the reconvened second meeting, the following options are available to creditors regarding NFL's future:

- That the administration should end and control of NFL revert to its directors; or
- That NFL should be wound up; or
- That NFL should execute a DOCA.

## 2.3 Purpose of Report

Section 439A(4) of the Act explains the purpose of an Administrators' report in providing that the notice (of second meeting) must be accompanied by a copy of:

- (a) *A report by the Administrator about the company's business, property, affairs and financial circumstances; and*
- (b) *A statement setting out the Administrator's opinion about each of the following matters:*
  - *Whether it would be in the creditors' interests for the company to execute a DOCA; and*
  - *Whether it would be in the creditors' interest for the administration to end;*
  - *Whether it would be in the creditors' interest for the company to be wound up;*
  - *His or her reasons for those opinions; and*
- (c) *If a DOCA is proposed – a statement setting out details of the proposed deed.*

## 2.4 Non-Disclosure of Certain Information

There are sections of this report wherein we considered it inappropriate to disclose certain information to creditors. Such information includes:

- Identity and nature of the interested parties and their interest;
- Valuations of specific assets; and
- Valuation of the business units.

We recognise the need to provide creditors with adequate disclosure of necessary information relating to NFL and in some instances NFPL. However, we believe that as some of this information is commercially sensitive it is not in the creditors' interests to disclose the information publicly at this stage.

## 2.5 Statement of Independence

We, Martin Jones, Andrew Saker and Darren Weaver of Ferrier Hodgson have undertaken a proper assessment of the risks to our independence prior to accepting our appointments as Joint and Several Administrators of NFL. This assessment identified no real or potential risks to our independence. We were not aware of any reasons that would prevent us from accepting this appointment. These matters are discussed in greater detail below:

### 2.5.1 Relevant Relationships

Please note Peter Walker and Steven Sherman of Ferrier Hodgson were appointed Joint and Several Administrators of Natural Fuel Australia Limited (“NFAL”) and Natural Fuel Darwin Pty Ltd (“NFD”) under Part 5.3A of the Corporations Act 2001. NFAL is 50% owned subsidiary of Natural Fuel Limited.

The Administrators first met with the company’s directors/advisers on or around 27 March 2009. Prior to such meetings, and to the best of the Administrators’ knowledge, no prior relationship existed with the company, its directors and officers, any associated businesses, subsidiary companies within the meaning of Corporate Groups or major creditors.

Other than the above neither us, nor our firm, have, or have had within the preceding 24 months, any relationships with the Company, an associate of the Company, a former insolvency practitioner appointed to the Company or any other person or entity that has a charge on the whole or substantially whole of the Company’s property.

There are no other professional relationships or engagements that should be disclosed.

### 2.5.2 Indemnities

Martin Jones, Andrew Saker and Darren Weaver have not been indemnified in relation to this Company, other than any indemnities that we may be entitled to under statute.

We also confirm that we have not been provided with any indemnity, guarantee or contribution from the directors or their associated businesses, a creditor or any other party for any of our fees and expenses.

Martin Jones, Andrew Saker and Darren Weaver are partners of Ferrier Hodgson. Ferrier Hodgson is one of Australia’s and the Asia-Pacific’s largest independent corporate restructuring practice with 40 partners and over 300 staff throughout Australia and Asia. Ferrier Hodgson does not provide accounting, audit, legal or taxation services.

Martin Jones is a Chartered Accountant, Registered Liquidator and member of the Insolvency Practitioners Association of Australia with over 25 years experience in corporate insolvency.

Andrew Saker is a Chartered Accountant, Registered Liquidator and member of the Insolvency Practitioners Association of Australia with over 20 years experience in corporate insolvency.

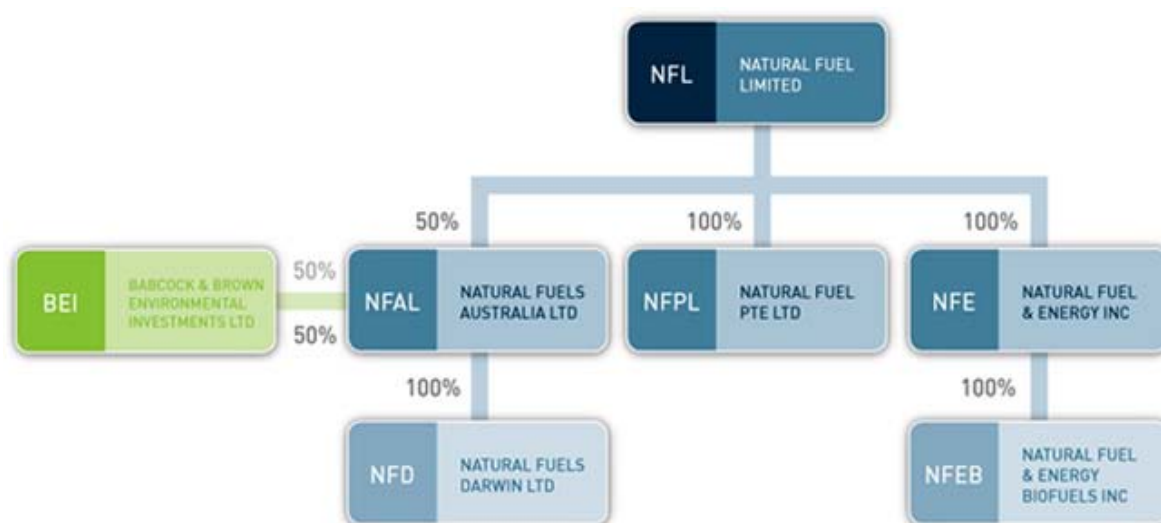
Darren Weaver is a Chartered Accountant, Registered Liquidator and member of the Insolvency Practitioners Association of Australia with over 17 years experience in corporate insolvency.

Further information regarding Ferrier Hodgson and the Administrators can be obtained from the firm's website at [www.ferrierhodgson.com](http://www.ferrierhodgson.com).

### 3. GROUP INFORMATION

Please refer to the Administrators' Report to Creditors dated 7 August 2009 for details regarding the NFL's history and events leading up to the appointment of Administrators to the Company.

For ease of reference the Group structure is shown diagrammatically below:



### 4. HISTORICAL FINANCIAL INFORMATION

Please refer to the Administrators' Report to Creditors dated 7 August 2009 for details regarding the Company's historical financial information which incorporates historical profit and loss results as well as historical balance sheets.

### 5. STATEMENT OF POSITION

Please refer to the Administrators' Report to Creditors dated 7 August 2009 for details regarding the directors' Report as to Affairs of NFL.

## 5.1 Current Dividend Estimate

We set out below our updated Statement of Position:

	Ref	RATA or Net Book Value	DOCA Scenario (\$)	Liquidation Scenario (\$)
<b>Floating Charge Assets</b>				
DOCA Proposal - Sale of Corporate Shell	(i)	-	575,000	-
Cash at Bank	(ii)	1,078,168	425,324	425,324
Loans Receivable (related)	(iii)	183,913,483	TBD	TBD
Deposits / Bonds Receivable	(iv)	50,000	35,000	35,000
<b>Total Floating Charge Assets</b>		<b>185,041,651</b>	<b>1,035,324</b>	<b>460,324</b>
<b>Fixed Charge Assets</b>				
Investments in Subsidiaries	(v)	3,922,581	-	-
Investments in Listed Entities	(vi)	677,648	306,000	250,000
Plant & Equipment	(vii)	1,087,796	25,000	25,000
<b>Total Fixed Charged Assets</b>		<b>5,688,025</b>	<b>331,000</b>	<b>275,000</b>
<b>Less: Priority Creditors</b>				
Employee Entitlements	(viii)	466,245	667,755	667,755
Incurred and undrawn Remuneration	(ix)		75,733	75,733
Administrator's undrawn Disbursements			15,373	15,373
Future Prospective Remuneration	(x)		90,000	70,000
Appointee's Trading Expenses Provision	(xi)		150,000	150,000
<b>Total Costs and Remuneration</b>		<b>466,245</b>	<b>998,862</b>	<b>978,862</b>
<b>Total Assets Available to Unsecured Creditors</b>		<b>190,263,431</b>	<b>367,463</b>	<b>(245,537)</b>
<b>Unsecured Creditors</b>				
Trade Payables & Accruals	(xii)	160,439	(165,835)	(165,835)
Statutory Liabilities			(39,354)	(39,354)
Convertible Bonds	(xiii)	119,127,571	(119,127,571)	(119,127,571)
Loan-Delma Commodities Pte Ltd		739,825	(739,825)	(739,825)
Loan - Ganesha Nominees Pty Ltd		4,500,000	(4,500,000)	(4,500,000)
Loan from Power Knight	(xiv)	30,760,765	(30,760,765)	(30,760,765)
Directors Entitlements	(xv)		(250,523)	(250,523)
<b>Total Unsecured Creditors</b>		<b>155,288,600</b>	<b>(155,583,873)</b>	<b>(155,583,873)</b>
<b>Estimated Surplus / (Deficiency)</b>		<b>345,552,031</b>	<b>(155,216,411)</b>	<b>(155,827,411)</b>
<b>Estimated Return to Unsecured Creditors (Cents in Dollar)</b>	(xix)	<b>100 Cents in \$</b>	<b>0.2 Cents in \$</b>	<b>Nil</b>

In respect of the above, we comment as follows:

- i. This represents NRG's proposal which provides for a cash contribution of \$575,000. For further detail in relation to this proposal refer to Section 9 of this report.
- ii. This represents the reconciled cash at bank as the 2 October 2009.

iii. This is represented as follows:

Entity	Amount (\$)	ERV	Notes
NFPL	183,660,776	Nil	Receivers and Managers appointed
NFE	195,228	Nil	All operations in USA ceased
NFAL	57,478	Nil	NFL waived its right to make a claim under the DOCA of NFAL and NFD.
<b>Total</b>	<b>\$183,913,482</b>	<b>\$Nil</b>	

We note that estimated realisable value from the above entities is assumed to be Nil. As you will no doubt be aware, NFPL is current subject to the control of Receivers and Managers who were appointed under Power Knight's security. Given the current economics of the biodiesel industry we note that a return to unsecured creditors of NFPL appears unlikely.

iv. This is in respect of the balance of the rental bond provided for NFL's offices in Subiaco that will be recoverable following the disclaiming or transfer of the lease to a third party.

v. This is represented as follows:

Entity	Amount (\$)	ERV	Notes
NFPL	3,121,302	-	In Receivership
NFAL	801,278	-	Subject to DOCA
<b>Total</b>	<b>\$3,922,581</b>	-	

vi. This is in respect to 1.08 million shares owned by NFL in GEM Biofuel PLC at the current market price of 0.17 pence, converted into AUD.

Given the recent capital raising and minimal trading volumes that are apparent with this share, we are now in final discussions for one party to acquire NFL's full parcel of shares, thus eliminating the need to pay broker fees and charges.

vii. A valuation by Beevis & Co has been conducted with respect to the office equipment located at the Subiaco offices and this amount is now our estimated recovery at auction.

viii. This represents notice, redundancy and annual leave that is outstanding to employees of NFL in accordance with their contracts which have now been agreed with the employees. Please note that if the company is placed into liquidation and there are insufficient funds to pay employees then the liquidators will apply to GEERS, a government run scheme.

ix. Fees and Expenses for the period 20 June 2009 to 2 October 2009 that have been incurred to date. We note that a provision for the Administrators' remuneration for the period 1 August 2009 to 17 August 2009 in the amount of \$20,000 was previously approved by creditors, however, we now seek approval on the actual remuneration incurred for that period as set out in annexure 1.

- x. Incurred and estimated fees and expenses for the period 21 October 2009 to finalisation.
- xi. Estimated trading expenses associated with winding down head office, including but not limited to, rent, post appointment annual leave and tax liabilities, telephone and internet expenses, insurance expenses and a provision for legal expenses with respect to the execution of the DOCA.
- xii. This amount is a combination of the amounts payable by NFL in accordance with the books and records of the company and proof of debts lodged by creditors to date. Please note that this amount will vary and is subject to the adjudication of formal proof of debts that will be completed when we are in a position to distribute a dividend.
- xiii. The NFL group raised US\$80 million through the issuing of convertible bonds in two identical tranches on 10 April 2007 and 26 April 2007. The term of the bonds is 5 years with expiry in April 2012 at a prescribed rate of 6.75% per annum.  
  
Coupon payments in the amount of \$2.7 million were due in 6-monthly instalments, due in April and October.
- xiv. This is in respect to amounts lent to NFL and secured against the assets of NFPL with respect to working capital requirements. Effectively Power Knight and Delma Commodities are unsecured creditors of NFL and secured creditors of NFPL. If the assets of NFPL are realised at or above their secured debt, they will no longer be creditors of NFL.
- xv. We note that directors' entitlements are capped under the Act and the quantum of the remaining balance ranks as an unsecured claim against the Company.

## 5.2 Causes of Failure

Please refer to the Administrators' Report to Creditors dated 7 August 2009 for details regarding the Company's causes of failure identified by the directors and also the Administrators.

## 6. TRADING BY ADMINISTRATORS

### 6.1 Overview and Trading Issues

Please refer to the Administrators' Report to Creditors dated 7 August 2009 for details regarding the Administrators' initial actions concerning NFL's ongoing trading arrangements upon appointment.

Throughout this period the Singapore biodiesel facility has been on a state of care and maintenance, with only minimum credit incurred by NFPL to preserve the value of plant and to ensure that it can be recommenced following a restructuring / sale of the facility. Management has also looked at options of renting tanks to third parties to maintain sufficient cash flows during the restructuring / care and maintenance period, while also attempting to sell the by-product from biodiesel production on hand at the time operations ceased.

As you are aware NFL's only significant asset of value is the 100% shareholding and the intercompany loan of \$183 million in NFPL. We have continued to assist the directors in preserving the value of the biodiesel facility and formalising an informal moratorium in the form that would be acceptable to major creditors of NFPL.

Following our presentation of the informal moratorium proposal to major creditors of NFPL on 29 and 30 April 2009 and further discussions shortly following, we again met with the major creditors of NFPL on 13 and 14 May 2009 to agree to the terms of the four (4) month moratorium in anticipation of signing up all major creditors at these meetings. Shortly after these meetings and following further discussions with creditors, it became apparent that the full support of major creditors of NFPL could not be achieved and that the informal moratorium proposed would be ineffective in securing sufficient time to restructure NFPL without creditor interference and achieve an outcome for creditors greater than what would be achieved if placed into liquidation.

Since the rejection of the informal moratorium, the directors and officers of NFPL with the assistance of NFL and legal counsel in Singapore assessed the options with respect to the future of NFPL. The following options were available to NFPL:

1. Proceed with a formal moratorium for a specified period through the Singapore Courts via a scheme of arrangement;
2. Formal restructuring via Judicial management, Provisional or Official liquidation; and
3. Appointment of Receiver and Manager by the secured creditors.

It was generally accepted that an orderly restructuring plan, administered by NFPL in consultation with a Scheme Manager and the Scheme Creditors under a court sanctioned Section 210 Scheme of Arrangement would achieve a more favourable outcome for creditors than which would be achieved through a receivership or liquidation.

On 28 July 2009, NFPL's legal counsel filed an originating summons and supporting affidavit of the directors in the Singapore High Court for inter alia leave to convene a creditors' meeting to consider and approve a Scheme of Arrangement pursuant to Section 210 of the Companies Act (Cap 50, 2006 Rev. Ed.).

The hearing of the application was held on 6 August 2009 at which point the High Court adjourned for a period of three (3) weeks to provide unsecured creditors with further time to consider the application that was lodged.

While NFPL were implementing the informal moratorium with creditors and then the Section 210 Scheme of Arrangement as discussed above, NFPL had also concurrently sought a valuation of the biodiesel facility, advertised for expressions of interest in the restructuring process and drafted a information memorandum, which NFL as the major creditor assisted with during the process.

NFPL sought quotes from four (4) suitably qualified valuers through-out the Australasian region requesting proposals to value the biodiesel facility on a going concern basis and auction basis.

NFPL sought a valuation for the biodiesel facility located on Jurong Island, Singapore on 13 May 2009, which was received on 7 June 2009. As previously advised, for reasons of commercial sensitivity we cannot provided information surrounding the value of the aforementioned facility.

The valuation sought was to be used as a guide to NFPL in evaluating the merits of any proposals that are presented by third party investors.

On 3 June 2009 and 4 June 2009, NFPL advertised for expressions of interest in the Singapore Times and Wall Street Journal (Global Edition) respectively with respect to the asset sale or recapitalisation of NFPL and requested that expressions of interest be received by no later than 19 June 2009.

Since these advertisements were placed, NFPL received expressions of interest from 21 interested parties. Management corresponded with these interested parties in two tranches on 12 June 2009 and 26 June 2009 and provided them with a plant flyer and a confidentiality deed to execute.

On 15 July 2009 a follow up reminder was sent to those interested parties who had not responded or executed confidentiality deeds and to those who had responded were provided with the timeline and pre-requisites to receive a copy of the information memorandum as set out below:

Date	Activity
Monday, 20 July 2009	Information memorandum available
Monday, 27 July 2009	Site visits available on appointment
Monday, 31 August 2009	Closing date for Indicative Offers
Thursday, 3 September 2009	Notification of Preferred Offers
	Final Due Diligence period commences
Thursday, 24 September 2009	Final Offers to be lodged
Wednesday, 30 September 2009	Notification of Successful Party

Of the twenty one interested parties only three transferred a refundable deposit of SGD\$10,000 which enabled them to access the information memorandum and conduct a site visit. During August 2009 management continued to engage with these three interested parties and provide them with detailed answers to their due diligence questions.

As of close of business 31 August 2009, no informal offers were received by the interested parties and after the directors of NFPL followed up with these participants, they confirmed that they did not plan to make an informal offer and duly requested return of their deposit which was done shortly thereafter.

Since receiving no indicative offers from interested parties, the directors of NFPL considered the position with respect to the sale and restructure of NFPL and the ongoing care and maintenance of the biodiesel facility in view of the limited cash reserves available post September and October.

The directors of NFPL have also continued to work with their legal counsel with respect to implementing the Section 210 application, however due to the appointment of Receivers and Managers to NFPL, the application was withdrawn on 23 September 2009.

### **Appointment of Receivers and Managers**

As noted above, on 11 September 2009, Power Knight Pte Ltd (“Power Knight”), the secured creditor of NFPL notified the NFPL and NFL that they were exercising their rights under the Convertible Loan Facility Deed dated 23 April 2008 and the Debenture Document dated 13 May 2008 pursuant to clause 6.1(a) and clause 7 and appointing Messrs Chee Yoh Chuang and Lin Yueh Hung of Stone Forest Corporate Advisory Pte Ltd as Receivers and Managers.

Power Knight advised that they exercised their right to enforce the charge and the collateral security after having assessed the alternatives available to them and given the directors of NFPL considerable time and support to develop a restructuring plan which included solicitation of offers for the sale of the biodiesel facility.

We have written to the Receivers and Managers, notifying them of our appointment as Administrators of NFL and as the largest unsecured creditor of NFPL that we would appreciate that they continue to apprise us of the sale process with respect to the biodiesel facility.

Based on the valuation received to date, the current state of the biodiesel industry and the fact that NFPL did not receive any expressions of interest with respect to the sale campaign which was commissioned, we believe it to be unlikely that unsecured creditors of NFPL will receive a material dividend distribution on their debts outstanding.

We note that Messrs Chee Yoh Chuang and Lim Lee Meng from Stone Forest Corporate Advisory Pte Ltd were discharged as Receivers and Managers of NFPL on 30 September 2009 and Messrs Ewe Pang Kooi and Farooq Ahamd Mann from Ewe, Loke & Partners were appointed Receivers and Managers on 30 September as their replacement.

We have not been apprised on the factual circumstances which gave rise to the replacement of the Receiver and Manager.

We expect that NFPL will proceed into involuntary liquidation and that a liquidator will be appointed to NFPL by the Court.

## Trading in the Administration

Since being apprised that no indicative offers were received in relation to the recapitalisation of NFPL, we made an assessment that all the employees' positions at NFL were now redundant and as such made the decision in consultation with the directors to terminate these employees on 9 September 2009.

As previously advised in our report dated 7 August 2009, NFAL and NFD executed a DOCA on 22 December 2009 whereby the secured shareholders, being NFL and Babcock and Brown Environmental Investments ("BBI") waived their right to claim under the DOCA. Our understanding is that DOCA's are in the process of making a distribution to priority creditors in accordance with the relevant terms and upon completion of the distribution the DOCA's will be wholly effectuated. In this regard, NFL will not be entitled to receipt of any funds throughout the course of the Deed Administration of NFAL or NFD.

## 6.2 Summary of Receipts and Payments

The receipts and payments of NFL for the period 9 April 2009 to 2 October 2009 are attached as Annexure 3.

## 7. SALE OF ASSETS

As NFPL and NFL did not receive any restructuring proposals that integrated the shell and the biodiesel facility and there being limited time available until the reconvening of the second meeting on the 20 October 2009, we sent correspondence to eighteen (18) parties who had previously expressed an interest in NFL's corporate shell.

Our letter requested that if interested parties wished to acquire the shell and propose a DOCA, they would need to submit an offer to our office by 18 September 2009 and provide, at a minimum, the following information:

1. A statement of background of the proponent company;
2. The consideration payable;
3. Key terms or any condition precedents to the recapitalisation; and
4. Demonstrate the financial capacity of the proponent to complete this transaction.

When assessing these offers, we have taken into account the following:

1. The return to creditors;
2. Conditions precedents;
3. Timing to complete; and
4. Ability of interested party to complete.

Based on the above, we recommend that creditors accept the NRG proposal at the reconvened second meeting of creditors to be held on 20 October 2009, given that:

- a) The difference in return to creditors is immaterial to that of the Cygnet proposal; and
- b) The conditions in relation to the shareholder approval is more likely to be satisfied as the NRG proposal will result in existing shareholders retaining 46.8% of the issued share capital, whereas Cygnet's proposal will result in existing shareholding retaining 3.7% of the issued share capital.

Refer to DOCA section 9 of this report for further details on this proposal.

## 8. STATUTORY INVESTIGATIONS

Please refer to the Administrators' Report to Creditors dated 7 August 2009 for details regarding the Administrators' statutory investigations into the Company.

For ease of reference, we summarise below the likely date of insolvency of NFL:

Assessment Areas	Date Relevant to Solvency Assessment
<b>Financial Assessment</b> Working Capital Deficiency	November 2008
<b>Source of Funding</b> External Finance Declined	April 2009
<b>Other Insolvency Indicators</b> Aged Trade Payables Outside of Terms	April 2009
Statutory Payments in Arrears	April 2009

Our investigations indicate that it is unlikely that NFL was insolvent at the time of our appointment. However, given that NFL was declined further funding on or around 9 April 2009 and that interest on the convertible Bonds was due on 10 April 2009, it appears that NFL would categorically have been insolvent on or around the 10 April 2009 if it did not appoint administrators. As noted earlier in our report dated 7 August 2009, a Liquidator would be required to conduct further analysis and determine the exact date of insolvency.

Further to the above, we have reviewed the defences available to the directors and, in conjunction with our preferred view of the date of insolvency, this review suggests that there is unlikely to be any significant claim against the directors for insolvent trading that would result in a recovery for unsecured creditors.

We have not identified any transactions that may be classed as uncommercial or voidable transactions.

Accordingly, there appears to be no commercial benefit for creditors to resolve to wind up NFL.

## 9. PROPOSAL FOR DEED OF COMPANY ARRANGEMENT (DOCA)

### 9.1 Statement of Proposed DOCA

We have received 3 final DOCA proposals for the reconstruction and recapitalisation of NFL. Broadly, these offers propose that a DOCA and Creditors' Trust be created with the intention that NFL relists on the ASX. The offers also propose share consolidation and the issuing of further shares, including options.

We note that the three DOCA proposals received require the maintenance of the investment and intercompany loans in NFE and NFAL currently held by NFL in order to attempt to satisfy future ASX listing requirements which is a key motivation to the DOCA proponents seeking to recapitalise NFL.

For the ease of reference the final three DOCA proposals are summarised below:

Key Elements	NRG Capital Pty Ltd	Cygnat Capital	TECO
Cash Consideration	<p>\$575,000 with a 10% deposit after the DOCA is approved by creditors and executed.</p> <p>The deposit is fully refundable if the transaction does not proceed.</p> <p>In full and final satisfaction of creditor claims.</p>	<p>\$600,000 with a 10% deposit after the DOCA is approved by creditors and executed.</p> <p>The deposit is fully refundable if the transaction does not proceed.</p> <p>In full and final satisfaction of creditor claims.</p>	<p>\$575,000 with a 10% deposit after the DOCA is approved by creditors and executed.</p> <p>Payment of remaining funds payable within 10 working days of shareholder approval.</p>
Structure	<p>Deed of Company Arrangement, with funds paid into creditor's trust where all liabilities are transferred to on execution of the DOCA.</p> <p>All assets other than the retained assets mentioned below will also be transferred to the creditors trust.</p>	<p>Deed of Company Arrangement, with funds paid into creditor's trust where all liabilities are transferred to on execution of the DOCA.</p> <p>All assets other than the retained assets mentioned below will also be transferred to the creditors trust.</p>	<p>Deed of Company Arrangement, with funds paid into creditor's trust where all liabilities are transferred to on execution of the DOCA.</p> <p>All assets other than the retained assets mentioned below will also be transferred to the creditors trust.</p>
Timing	<p>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.</p>	<p>Creditor consideration will be made available within 5 business days after the satisfaction of the Precedent Conditions.</p>	<p>Payment of creditor consideration payable within 10 working days of shareholder approval.</p>
Assets Purchased	<ol style="list-style-type: none"> <li>The NFL shell;</li> <li>The shareholding in NFAL (and their assets); and</li> <li>The shareholding in NFE (and their assets).</li> </ol>	<ol style="list-style-type: none"> <li>The NFL shell;</li> <li>The shareholding in NFAL (and their knowhow); and</li> <li>The shareholding in NFE (and their knowhow).</li> </ol>	<ol style="list-style-type: none"> <li>The NFL shell;</li> <li>The shareholding in NFAL (and their assets); and</li> <li>The shareholding in NFE (and their assets).</li> </ol>

Key Elements	NRG Capital Pty Ltd	Cygnnet Capital	TECO
Costs	<ul style="list-style-type: none"> <li>The reasonable legal costs of the administrators for the preparation of the DOCA (to be agreed) will be paid by the Syndicate.</li> <li>The syndicate will co-ordinate and pay the reasonable costs of the capital raisings, shareholder meeting notices, prospectus and preparation of accounts.</li> <li>These funds will be reimbursed to the Syndicate out of the capital raisings.</li> </ul>	<ul style="list-style-type: none"> <li>The syndicate if required prepare drafts of the DOCA's and Creditor Trusts;</li> <li>Bear its own legal costs for preparation of a prospectus and the notice of meeting together with the costs of the shareholder meeting;</li> <li>Bear the costs of any due diligence in order to prepare the required shareholder meeting materials; and</li> <li>The above costs to be reimbursed by the company in the event that the proposals are approved and the Company is reinstated to the ASX</li> </ul>	<ul style="list-style-type: none"> <li>TECO will meet all reasonable legal costs associated with the preparation of the DOCA.</li> </ul>
Precedent Conditions	<ul style="list-style-type: none"> <li>Creditor Approval;</li> <li>ASX confirming it will reinstate trading in NFL's securities on completion (on terms acceptable to the Syndicate)</li> <li>Seeking and obtaining shareholder approval for:</li> <li>The capital raisings mentioned below (to the extent required by the ASX); and</li> <li>Appointment of Joshua Wellisch as a director of NFL</li> </ul>	<ul style="list-style-type: none"> <li>Creditor Approval;</li> <li>None of the Convertible Bondholders elect to convert their bonds into shares in the company;</li> <li>All liabilities and long term commitments of the Company and its subsidiaries being released and compromised via a DOCA (Including cancellation of all outstanding Convertible Bonds);</li> <li>ASX approval that it will lift suspension on the trading of the securities on completion of the capital raisings without the need to re-comply with chapters 1 &amp; 2 of the listing rules on finalising the DOCA;</li> <li>Shareholder Approval with respect to the terms of the recapitalisation proposal.</li> </ul>	<ul style="list-style-type: none"> <li>Creditors Approval;</li> <li>Share structure of shell will be 80% TECO and 20% existing shareholders;</li> <li>ASX confirmation of compliance with listing rules not a prescribed requirement of the DOCA</li> </ul>

Key Elements	NRG Capital Pty Ltd	Cygnnet Capital	TECO
Capital Raisings / Post Recon Share Structure	<p>The Syndicate will take an initial placement in NFL of 575 million shares at 0.1cents per share to raise \$575,000.</p> <p>They will arrange a broker to underwrite a non renounceable rights issues of:</p> <ul style="list-style-type: none"> <li>• 1 share for every 2 shares held; and</li> <li>• 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.</li> </ul>	<p>Cygnnet and its associates to undertake a capital raising of approximately \$2.12 million through issue of shares and options in NFL as follows:</p> <ul style="list-style-type: none"> <li>• 120,000,000 shares @ 0.001;</li> <li>• 120,000,000 free options to acquire shares with an exercise price of \$0.01 each and expiry date of 31 December 2012; and</li> <li>• 400,000,000 shares at an issue price of not less than \$0.005 each to raise up to \$2,000,000.</li> </ul> <p>The syndicate and its associated parties will provide all the funds required for these capital raisings.</p> <p>The syndicate will bear the risk of the capital raisings</p> <p>NFL will consolidate its existing shares on a one (1) for twenty five (25)</p> <p>Existing listed options to be reconstructed on similar terms as above and all unlisted options and partly paid shares shall be cancelled, subject to shareholder approval.</p>	Method Unknown
Convertible Bondholder Rights	<ul style="list-style-type: none"> <li>• The conversion rights on the convertible bonds will be cancelled and the debt transferred to the Creditors Trust.</li> </ul>	<p>In the event that the Convertible Bondholders are entitled to convert their bonds into shares and some or all of them do so, the consolidation ratio will be adjusted such that, on completion of the consolidation, the number of shares on issue is approximately 20,000,000.</p>	Not specified
Administrators Requirements	Not specified	<ul style="list-style-type: none"> <li>• Ensure ASX requirements for continuous disclosure are met and bear the costs until the syndicate gains full control;</li> <li>• Ensure all accounts are kept in good standing, including all outstanding financial reports required by the ASX listing rules;</li> <li>• Hold the shareholders meeting; and</li> <li>• Bear our own legal costs</li> </ul>	Not specified

The estimated position of NFL under the DOCA proposals is tabled below:

	NRG DOCA Proposal (\$)	Cygnit DOCA Proposal (\$)	TECO DOCA Proposal (\$)
<b>Floating Charge Assets</b>			
DOCA Proposal - Sale of Corporate Shell	575,000	600,000	575,000
Cash at Bank	425,324	425,324	425,324
Loans Receivable (related)	-	-	-
Deposits / Bonds Receivable	35,000	35,000	35,000
<b>Total Floating Charge Assets</b>	<b>1,035,324</b>	<b>1,060,324</b>	<b>1,035,324</b>
<b>Fixed Charge Assets</b>			
Investments in Subsidiaries	-	-	-
Investments in Listed Entities	306,000	306,000	306,000
Plant & Equipment	25,000	25,000	25,000
<b>Total Fixed Charged Assets</b>	<b>331,000</b>	<b>331,000</b>	<b>331,000</b>
<b>Less: Priority Creditors</b>			
Employee Entitlements	667,755	667,755	667,755
Incurrd and undrawn Remuneration	75,733	75,733	75,733
Administrator's undrawn Disbursements	15,373	15,373	15,373
Future Prospective Remuneration	90,000	90,000	90,000
Appointee's Trading Expenses Provision	150,000	150,000	150,000
<b>Total Costs and Remuneration</b>	<b>998,862</b>	<b>998,862</b>	<b>998,862</b>
<b>Total Assets Available to Unsecured Creditors</b>	<b>367,463</b>	<b>392,463</b>	<b>367,463</b>
<b>Unsecured Creditors</b>			
Trade Payables & Accruals	(165,835)	(165,835)	(165,835)
Statutory Liabilities	(39,354)	(39,354)	(39,354)
Convertible Bonds	(119,127,571)	(119,127,571)	(119,127,571)
Loan-Delma Commodities Pte Ltd	(739,825)	(739,825)	(739,825)
Loan - Ganesha Nominees Pty Ltd	(4,500,000)	(4,500,000)	(4,500,000)
Loan from Power Knight	(30,760,765)	(30,760,765)	(30,760,765)
Directors Entitlements	(250,523)	(250,523)	(250,523)
<b>Total Unsecured Creditors</b>	<b>(155,583,873)</b>	<b>(155,583,873)</b>	<b>(155,583,873)</b>
<b>Estimated Surplus / (Deficiency)</b>	<b>(155,216,411)</b>	<b>(155,191,411)</b>	<b>(155,216,411)</b>
<b>Estimated Return to Unsecured Creditors (Cents in Dollar)</b>	<b>0.2 Cents in \$</b>	<b>0.2 Cents in \$</b>	<b>0.2 Cents in \$</b>

As you will note above, in all scenarios the estimated dividend to unsecured creditors is materially the same. To this end, we confirm that this is an estimate and is subject to change as creditor claims are quantified.

We advise that we have reviewed the offers received from the perspective of both the conditions that they entail and their expected returns to creditors. On the basis of that review, we recommend that creditors resolve to accept the reconstruction and recapitalisation proposal put forward by NRG.

## 9.2 Key Commercial Features

We summarise below the conditions precedent to completion of the DOCA:

- Approval by creditors at the meeting of creditors convened for Tuesday, 20 October 2009 to give effect to the NRG proposal;
- NFL's shareholders giving the necessary shareholder approvals to give effect to the proposal;

- The successful completion and full subscription of the capital raising;
- The capital raisings will be fully underwritten;
- The ASX providing conditional approval in terms acceptable to the proponent and the Administrators for NFL to relist;
- Execution of the Creditors' Trust Deed and transfer of company's assets and liabilities to the Trustee in accordance with the DOCA;
- As a consequence of the transfer of liabilities to the Trust, the right to convert available to bondholders will be extinguished; and
- The claim and equity in NFPL will be transferred to the Trust.

In the event that the recapitalisation of NFL is not successful in any way (i.e. any of the conditions precedent to completion of the DOCA are not satisfied by 31 January 2010 or become unlikely to be satisfied for whatever reason in the Deed Administrators' opinion) then the Deed Administrators may assume control of NFL, the DOCA will terminate and NFL will enter into liquidation unless the DOCA is varied following approval by creditors of NFL.

In the event that any of the conditions precedent to completion of the DOCA of NFL become unlikely to be achieved (in the Deed Administrators' opinion), the Deed Administrators will as soon as practicable issue a report to creditors explaining the relevant circumstances and convene a meeting to consider a resolution to vary or terminate the DOCA.

The NRG offer would also see the preservation of some value for existing shareholders if the ASX approves the relisting of its securities.

In view of the above, the Administrators recommend that creditors accept the DOCA proposal put forward by NRG for the following key reasons:

1. Unsecured creditors of NFL are expected to receive a dividend of approximately 0.2 cents in the dollar in respect of their debts owing as at 9 April 2009 under NRG's DOCA proposal. This anticipated return is greater than in a liquidation scenario where the estimated dividend range is Nil cents in the dollar to unsecured creditors.
2. Priority creditors will receive payment in full of their debts outstanding as at 9 April 2009, as opposed to a liquidation scenario where they will only receive approximately 65 cents in the dollar.
3. The difference in return to creditors is immaterial to that of the Cygnet proposal; and
4. The conditions in relation to the shareholder approval is more likely to be satisfied as the NRG proposal will result in existing shareholders retaining 46.8% of the issued share capital, whereas Cygnet's proposal will result in existing shareholders retaining 3.7% of the issued share capital.

## 10. ASIC'S GUIDE TO DOCA'S INVOLVING CREDITORS' TRUSTS

The ASIC has issued a guide for Registered Liquidators recommending the provision of certain information to creditors when they are considering approving a DOCA which also includes a Creditors' Trust being implemented.

The NRG's recapitalisation offer will require that NFL enter into a Creditors' Trust. In this regard, we outline for creditors some important information to consider when considering whether to approve a Creditors' Trust:

### 10.1 What is a Creditors' Trust?

A Creditors' Trust in a DOCA is a mechanism used to accelerate a company's exit from external administration. Typically under the terms of the DOCA and one or more interconnected deeds, a trust entity is created and the company's obligations to some or all of its creditors bound by the DOCA are compromised and transferred to the trust. Those creditors become beneficiaries of the trust.

Usually, the DOCA is "effectuated" (and terminates) after the creditors' claims against the company have been removed in this way. In most cases, the DOCA terminates immediately upon creation of the trust, which usually occurs when or shortly after the DOCA is executed.

When the DOCA terminates, the company ceases to be externally administered, the directors (in this case new directors) regain full control of the company and the company is no longer required to use the notification "Subject to Deed of Company Arrangement" on its public documents as otherwise would be required by Section 450E(2) of the Act.

### 10.2 Reasons for a Creditors' Trust

The main reason for the inclusion of a Creditors' Trust with the DOCA proposals is to allow NFL to become relisted on the ASX. A company cannot requote on the ASX if it is subject to a DOCA.

The Creditors' Trust provides a structure whereby creditors' claims can be dealt with by the Trustee of the Creditors' Trust and the DOCA can end, thereby allowing the company to be requoted on the ASX.

Without NFL being requoted on the ASX, the interest of parties wanting to restructure the company would be limited.

For the ASX to lift NFL's suspension, the company must be able to comply with a number of conditions including continuity of its business. This is likely to be satisfied with NFL maintaining its investment in NFE and NFAL.

## Key Events and Terms

If a DOCA proposal is approved by creditors, a number of key events will occur prior to NFL's eventual relisting on the ASX, including (in addition to the conditions precedent referred to at section 8.2 of this report):

- A reconvened meeting of creditors has been convened for Tuesday, 20 October 2009 to consider the DOCA proposal for the restructure of NFL;
- Assuming creditors approve the DOCA proposal, execution of the DOCA is required to take place within 15 business days of approval by creditors, i.e. by Tuesday, 10 November 2009;
- Notices convening a shareholders' meeting to be issued to shareholders in order to seek resolutions pertaining to the options issue to the proponent;
- The ASX providing its conditional approval (on terms satisfactory to NRG and the Deed Administrators) to the reinstatement of NFL and confirming that nothing contemplated in the proposal will prevent NFL from retaining its ASX listing;
- Removal of current directors and new nominees of the proponent being appointed as directors of NFL following execution of NFL's DOCA; and
- Satisfaction of other remaining conditions precedent as discussed above and subsequent execution of the Creditors' Trust Deed and transfer of relevant assets to the Creditors' Trust pursuant to the terms of the DOCA.

Creditors must note that if either creditors or shareholders do not approve the proposed restructure or the conditions precedent under the DOCA are not met then the Administrators may elect to convene a meeting of creditors to vary or terminate the DOCA.

## Anticipated Return

Based upon the records of NFL and our estimate of the likely realisable value of NFL assets, it is estimated that under NRG's DOCA proposal a return of approximately 0.2 cents in the dollar would be distributed to unsecured creditors of NFL.

Preservation of NFL's corporate shell and ultimate relisting on the ASX will preserve some benefit for existing shareholders. If the DOCA proposal did not involve a Creditors' Trust, NFL would not be able to relist on the ASX as proposed under the DOCA and thus it likely that NRG (or any other party for that matter) would be reluctant to put forward a DOCA as proposed on similar terms.

## Trustee Particulars

It is proposed that the current Administrators will assume the role of Trustees of the Creditors' Trust should it be approved. By appointing the current Administrators as Trustees of the Trust, there is a cost saving compared with appointing a different Trustee. The Administrators have detailed knowledge of the background to the restructure which a different Trustee would have to acquire at a substantial cost to the Trust.

Under a DOCA, creditors may apply to the Court for orders in relation to the Deed Administrators' performance of their duties under the Act. A beneficiary under a Creditors' Trust could also apply to the Court under the Trustees Act 1962 (WA) in relation to the Trustees' performance of their duties.

## Remuneration and Indemnities

It is proposed that the Trustees would be remunerated on a time incurred basis calculated at rates set down by Ferrier Hodgson from time to time. The current rates as at July 2009 are as follows:

	Rate per hour (\$)
Partner	540
Director	460
Senior Manager	390
Manager	325
Supervisor	285
Senior 1	255
Senior 2	230
Intermediate 1	185
Intermediate 2	155
Senior Secretary	150
Junior / Filing	130

The estimated fees likely to be incurred under the DOCA and a Creditors' Trust are estimated at \$75,000.00 exclusive of GST.

It should be noted that this amount is an estimate only and should the actual costs be lower, then it is likely that this will ultimately result in more funds being made available for distribution to creditors.

As part of the proposed DOCA and Creditors' Trust, the Deed Administrators and Trustees would have an indemnity secured by a lien over the assets of the company and the trust fund respectively.

## Powers

The Trustee of the new trust becomes solely responsible to the former creditors (now beneficiaries) for:

- Ensuring that the company and / or other third parties perform their obligations to the Trustee;

- Determining how much each of the former creditors is entitled to receive from the trust; and
- In due course, making any distribution to those former creditors.

In addition to the above, the Trustees are likely to have the following powers:

- To administer the Trust Fund;
- To ensure that the company fulfils its obligations under the DOCA and to take such legal proceedings or other steps as the Trustees think fit to enforce those obligations;
- To fulfil the Trustees' obligations in terms of the DOCA;
- To admit claims to proof in accordance with the provisions of the DOCA and the Trust Deed;
- To make interim or other dividend payments to creditors or distributions of the Trust Fund;
- To appoint agents to do any business or attend to any matter or affairs of the Trust that the Trustee is unable to do or that it is unreasonable to expect the Trustee to do in person;
- To appoint a solicitor, accountant or other professionally qualified person to assist the Trustees;
- To compromise any claim on such terms as the Trustees consider fit;
- Having taken an assignment of all causes of action, to prosecute such of those actions as the Trustees consider fit; and
- To do anything else that is necessary or convenient for administering the Trust.

These powers are provided for the benefit of creditors in determining whether to accept the proposed DOCA. However these powers may be varied prior to finalisation of the Trust Deed.

## Claims

Creditors will no longer be creditors under the DOCA but will instead become beneficiaries of the Creditors' Trust. For the purpose of determining the admissibility and ranking of creditors'/beneficiaries' claims in the Trust, regulations 5.6.39 to 5.6.72 and Sub-divisions A to E of Division 6 of Part 5.6 of the Act and Regulations shall apply to the Trust and the Trustees as if the references to a Liquidator were references to the Trustees, references to winding up were references to the Trust and with such other modifications as are necessary to give effect to the Trust. To ensure that those provisions apply to the Creditors' Trust, they will be incorporated into the Creditors' Trust to apply as contractual provisions.

For the purposes of any distribution to priority creditors detailed above, any reference to a Liquidator or liquidation under Section 52 of the Superannuation Guarantee (Administration) Act 1992 (Cth), shall read Deed Administrator or Deed Administration respectively for the purposes of the DOCA and Creditors' Trust respectively for the purpose of the Trust Deed.

Creditors, including secured creditors to the extent of the unsecured portion of their debts, will not be permitted to take recovery action against the company for pre-administration debts during the period of the DOCA.

### **Compliance Opinion**

In our opinion, and based upon our discussions with and knowledge of the Proponents, we believe that NRG is capable of complying with the terms of the DOCA and their obligations to the Trustee if the DOCA proposal is accepted by creditors.

### **Solvency Statement**

At the time the DOCA will be wholly effectuated, NFL will be solvent. This will occur as a result of:

1. After the proposed capital raising of \$1.42 million and after costs associated with the DOCA, NFL is estimated to hold a cash balance of approximately \$1 million; and
2. Effect on the DOCA on claims against the company, i.e. pre-administration claims being transferred to the Creditors' Trust and as such NFL will have no liabilities other than those incurred by the recapitalised NFL moving forward.

### **Tax (company/trust)**

Creditors should note that there may be income tax and stamp duty implications for the company and the Trust associated with the abovementioned proposal.

The Trust may be required to register for GST purposes and apply for a new Tax File Number. In addition, the Trustees may also be responsible for lodging income tax returns for the Trust with the Australian Taxation Office.

It should be noted that any carry forward income or capital losses in NFL will not be available for offset against any assessable income made by the Trust.

### **Tax (creditor/beneficiary)**

Our preliminary view is that by assigning creditors' claims to the Trust any dividend paid to creditors would be treated the same as if creditors had received the dividend from the company under Administration. That is, we do not foresee any tax disadvantages to creditors with the proposed DOCA and Creditors' Trust.

The proposed DOCAs and Creditors' Trust also enables the Trustee to make distributions to the beneficiaries of the Trust (as opposed to the repayment of creditors' claims outlined above). Under this scenario however, the Trustee may be required to withhold tax from distributions to non-resident beneficiaries at the applicable tax rates.

Creditors are encouraged to seek their own independent legal advice in relation to the possible taxation consequences of receiving a distribution from the proposed Creditors' Trust.

### **Other**

A copy of the final DOCA will be lodged with ASIC as required and will be available for inspection upon request.

## **11. CREDITORS' OPTIONS, DIVIDEND ESTIMATES AND COST ESTIMATES**

Pursuant to Section 439A(4)(b) of the Act, we are required to provide creditors with a statement setting out our opinion on whether it is in the creditors' interests for the:

- Administration to end;
- NFL to be wound up; or
- NFL to execute a DOCA.

In forming our opinion, it is necessary to consider an estimate of the dividend creditors might expect, and the likely costs, under each option.

### **11.1 Administration to End**

Creditors may resolve that the administration should end if it appears the company is solvent or, for some other reason, control of the company should revert to its directors.

Based on our preliminary investigations and analysis of NFL's financial information, NFL is insolvent. Accordingly, there appears to be no valid commercial reason why control of NFL should revert to the directors. If the administration was to end, there is no mechanism controlling an orderly realisation of assets and distribution to creditors. We are unable to say what NFL might ultimately pay creditors or what costs it might incur. Therefore, our opinion is that it is not in the creditors' interest for the administration of NFL to end.

## 11.2 Winding up of NFL

We note that the current assets of NFL which are available for realisation for the benefit of creditors of NFL under the proposed DOCA are greater than the assets which would be available in a liquidation scenario. NRG's DOCA proposal provides for additional assets to be made available (i.e. cash contribution of \$575,000.00).

The costs of winding up the Company's affairs are estimated at \$55,000.00 exclusive of GST.

Accordingly, given that the DOCA proposal put forward by NRG proposes a greater return to unsecured creditors of NFL than in a liquidation scenario and that priority creditors will be paid in full, as set out in section 4 of this report, we are of the opinion that the company should not be wound up.

## 11.3 DOCA

As discussed above in section 9 of this report, the Administrators have conducted an assessment of the DOCA proposals put forward and recommend that creditors accept the DOCA proposal put forward by NRG for the following key reasons:

1. Unsecured creditors of NFL are expected to receive a dividend of approximately 0.2 cents in the dollar in respect of their debts owing as at 9 April 2009 under NRG's DOCA proposal. This anticipated return is greater than in a liquidation scenario where the estimated dividend range is Nil cents in the dollar to unsecured creditors.
2. Priority creditors will receive payment in full of their debts outstanding as at 9 April 2009, as opposed to a liquidation scenario where they will only receive approximately 65 cents in the dollar.
3. The difference in return to creditors is immaterial to that of the Cygnet proposal; and
4. The conditions in relation to the shareholder approval is more likely to be satisfied as the NRG proposal will result in existing shareholders retaining 46.8% of the issued share capital, whereas Cygnet's proposal will result in existing shareholding retaining 3.7% of the issued share capital.

The estimated costs for administering NFL's DOCA and Creditors' Trust are estimated at \$75,000.00 exclusive of GST.

Accordingly, the Administrators recommend creditors resolve to accept the DOCA proposal put forward by NRG.

## 12. ADMINISTRATORS' OPINION

As stated in section 11.1 above, the option of the administration ending is clearly not viable. The only remaining options available to creditors is to wind up the company or execute a DOCA.

From our calculations in sections 5 and 9 of this report, we estimate that the return to unsecured creditors of NFL under NRG's DOCA scenario to be approximately 0.2 cents in the dollar which is greater than in the liquidation scenario (estimated dividend Nil cents in the dollar). Please note that this dividend rate may be subject to change as creditors' claims are quantified.

Accordingly, it is our opinion that creditors resolve to accept the DOCA proposal put forward by NRG.

In forming our recommendation to creditors as discussed in sections 9 and 11 of this report, we have considered the following:

- The level of return available to creditors under each option;
- Relevant ASX Listing Rules and Act requirements applicable to the terms proposed under the NRG proposal;
- The degree of certainty of completion of the NRG DOCA proposal and assessment of risks under each proposal;
- The timing of payment of a dividend to creditors; and
- Financial expertise of the above parties.

We set out below a comparison of the potential returns to unsecured creditors under the DOCA proposal with a comparison to the estimated liquidation valuation of the company along with a comparison of the effect on stakeholders under the restructured NFL:

Stakeholder	Effect of Restructuring	Liquidation
<b>Unsecured Creditors</b>	<ul style="list-style-type: none"> <li>• Dividend of approximately 0.2 cents in the dollar. The same rate as the other DOCA proposals.</li> </ul>	<ul style="list-style-type: none"> <li>• Dividend of Nil cents in the dollar.</li> </ul>
<b>Shareholders</b>	<ul style="list-style-type: none"> <li>• No share consolidation or dilution under NRG's proposal.</li> </ul>	<ul style="list-style-type: none"> <li>• Unlikely to be any return.</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Payment of outstanding Employee Entitlements in Full i.e. 100 cents in the dollar.</li> </ul>	<ul style="list-style-type: none"> <li>• Employees will receive a dividend of 65 cents in the dollar and Liquidator will need to apply to GEERS to cover the shortfall.</li> </ul>

Having regard to the above, it is our recommendation to creditors that the NRG DOCA proposal be approved by creditors of the company.

## 13. REMUNERATION AND DISBURSEMENTS

At the reconvened second meeting of creditors, we intend seeking approval for the following remuneration.

### 13.1 Administrators' Remuneration

We advise that at a meeting of the Committee of Creditors held on 29 June 2009 the Committee resolved unanimously to approve the Administrators' remuneration of \$147,630.67 plus GST for the period 9 April 2009 to 19 June 2009 which has been drawn by the Administrators.

Administrators' remuneration for the period 20 June 2009 to 31 July 2009 in the amount of \$27,527.65 excluding GST was previously approved by creditors, however, this amount has not been drawn by the Administrators to date.

A provision for the Administrators' remuneration for the period 1 August 2009 to 17 August 2009 in the amount of \$20,000.00 was previously approved by creditors, however, we now seek approval on the actual remuneration incurred for that period as set out in Annexure 1.

Administrators' remuneration for the period 1 August 2009 to 2 October 2009 in the amount of \$48,205.50 excluding GST in accordance with the summary as set out in Annexure 2. We note that a provision in the sum of \$30,000.00 excluding GST was previously approved by creditors for the period 1 August 2009 to 17 August 2009. However, we now seek approval for actual fee costs incurred for this period. This provisional amount has not been drawn by the Administrators to date.

The Administrators' provide a prospective provision for remuneration for the period 3 October 2009 to 20 October 2009 in the amount of \$15,000.00 excluding GST in accordance with the summary as set out in Annexure 2.

### 13.2 Prospective Liquidators' Remuneration

In the event creditors vote to wind up the Company, that a provision for the Liquidators' remuneration in the amount of \$55,000 excluding GST be approved. The amount is an estimate only as it is not possible, at this stage, to state a precise amount. An actual fee summary will be presented to creditors for approval. A summary of the anticipated tasks is set out in Annexure 2.

The Administrators, (or, where appointed, Liquidators) seek approval of their remuneration on a time basis in accordance with Ferrier Hodgson's schedule of hourly rates set out in Annexure 2.

### 13.3 Prospective Deed Administrators' Remuneration

In the event creditors vote to approve the DOCA, that a provision for the Deed Administrators and Trustees remuneration in the amount of \$75,000 excluding GST be approved. The amount is an estimate only as it is not possible, at this stage, to state a precise amount. An actual fee summary will be presented to creditors for approval. A summary of the anticipated tasks is set out in Annexure 2.

The Administrators, (or, where appointed, Deed Administrators and Trustees) seek approval of their remuneration on a time basis in accordance with Ferrier Hodgson's schedule of hourly rates set out in Annexure 2.

Disbursements incurred by the Administrators during the period 9 April 2009 to 2 October 2009 are tabled below:

Disbursement	Total (\$)
Advertising	1,016
Bank Charges	56
Courier	70
Telephone	4,016
Facsimile	29
Fees & Permits	113
Meals	211
Postage	68
Search	606
Taxis & Parking	654
Travelling	21,780
Photocopying	594
Printing	3,551
<b>Total</b>	<b>32,763</b>
Add GST (10%)	3,276
<b>Total Including GST</b>	<b>\$36,039</b>

To date disbursements in the amount of \$18,787.78 (exclusive of GST) have been drawn by the Administrators.

Details of the basis on which disbursements are charged are contained in Annexure 2.

## 14. FURTHER QUERIES

We will advise creditors in writing, if practicable, of any additional matters that come to our attention after the dispatch of this report that, in our view, is material to creditors' deliberations.

In the meantime, should creditors have any queries, please do not hesitate to contact either Sean Holmes or Tom Birch of this office.

DATED this 12<sup>th</sup> day of October 2009.



ANDREW SAKER  
Joint and Several Administrator of  
Natural Fuel Limited



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# Annexure 1

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**Administrators' Remuneration**

**Deed Administrators' / Trustees' Remuneration**

**Liquidators' Remuneration**

**The Firm's Schedule of Hourly Rates**

**NATURAL FUEL LIMITED  
ACN 106 760 418  
(Administrators Appointed)**

**REMUNERATION REPORT**

The Administrators' Remuneration Report, prepared pursuant to Section 449E of the Corporations Act 2001, takes the following format:

**Part A**

- A1 Schedule of hourly rates and general guide to staff experience
- A2 Tasks undertaken by the Administrators and remuneration claimed for the period 1 August 2009 to 2 October 2009
- A3 Anticipated tasks and estimated Administrator's remuneration for the period 3 October 2009 to 20 October 2009
- A4 Where Deed Administrators are appointed, a schedule of anticipated tasks and remuneration estimate from 21 October 2009 to the conclusion of the administration
- A5 Where Liquidators are appointed, a schedule of the Liquidators' anticipated tasks and remuneration estimate from 21 October 2009 to the conclusion of the liquidation
- A6 Remuneration approved and drawn to date
- A7 Resolutions regarding remuneration to be put to creditors at the meeting convened for 20 October 2009

**Part B**

- B1 Administrators' disbursements
- B2 Summary of Receipts and Payments
- B3 Other creditor information on remuneration
- B4 Initial advice to creditors

The Remuneration Report must be read in conjunction with the report to creditors dated **12 October 2009**.



## PART A

### A1 SCHEDULE OF HOURLY RATES & GENERAL GUIDE TO STAFF EXPERIENCE

Title	Rate (\$)	Experience
Partner/Principal/ Appointee	540	The Partner/Appointee is a registered liquidator and member of the ICAA and IPAA bringing specialist skills to the administration or insolvency task. For specific experience and other details of the appointee/s, please visit our website at <a href="http://www.ferrierhodgson.com">www.ferrierhodgson.com</a>
Director	460	Generally, minimum of 12 years experience at least 2 years of which is to be at Manager level. University degree; member of the ICAA and IPAA with deep knowledge and lengthy experience in relevant insolvency legislation and issues.
Senior Manager	390	Generally, more than 7 years experience with at least 2 years as a Manager. University degree; member of the ICAA and IPAA; very strong knowledge of relevant insolvency legislation and issues.
Manager	325	Generally, 5-7 years chartered accounting or insolvency management experience. University degree; member of the ICAA and IPAA; sound knowledge of relevant insolvency legislation and issues.
Supervisor	285	Generally, 4-6 years chartered accounting or insolvency management experience. University degree; member of the ICAA; completing IPAA Insolvency Education Program. Good knowledge of relevant insolvency legislation and issues.
Senior 1	255	Generally, 2-4 years chartered accounting or insolvency management experience. University degree; completing the ICAA's CA, program. Good knowledge of basic insolvency legislation and issues.
Senior 2	230	Generally, 2-3 years chartered accounting or insolvency management experience. University degree, commenced ICAA's CA program.
Intermediate 1	185	0 to 2 years experience. Has completed or substantially completed a degree in finance/accounting. Under supervision, takes direction from senior staff in completing more complex administrative tasks.
Intermediate 2	155	0 to 1 year's experience. Undertaking a degree part-time in finance/accounting. Under supervision, takes direction from senior staff in completing more detailed administrative tasks.
Senior Secretary	150	Appropriate skills including machine usage.
Clerk	130	Generally non qualified administrative assistant. Classification depends on experience, salary and complexity of work to be completed.

#### Notes:

1. The hourly rates are exclusive of GST.
2. The guide to staff experience is intended only as a general guide to the qualifications and experience of our staff engaged in the administration. Staff may be engaged under a classification that we consider appropriate for their experience.
3. Time is recorded and charged in six-minute increments.
4. Rates are subject to change from time to time.



**A2 Tasks undertaken by the Administrators and remuneration claimed for the period 1 August 2009 to 2 October 2009 are tabled below:**

Administrators' fees, based on the tasks detailed below and covering the above period are \$48,205.50 (excl. GST)

<b>Task Area</b>	<b>General Description</b>	<b>Includes</b>
<b>Assets</b>  <b>8.70 hours</b> <b>\$1,478.00</b>	Sale of business as a going concern	<ul style="list-style-type: none"> <li>▪ Corresponded with interested parties</li> <li>▪ Updated interested parties schedule</li> <li>▪ Conducted internal meetings to discuss progress of restructuring</li> <li>▪ Discuss with Directors regarding sale / restructure of NFPL</li> <li>▪ Formulation of strategy to restructure both NFL &amp; NFPL</li> <li>▪ Internal discussions regarding above</li> </ul>
	Other assets	<ul style="list-style-type: none"> <li>▪ Conducted internal meetings to discuss realisation of shares held in GEM Biofuels Plc</li> <li>▪ Obtained quotes and realisation strategies for sale of shares</li> </ul>
<b>Creditors</b>  <b>93.00 hours</b> <b>\$21,143.00</b>	Creditor Enquiries	<ul style="list-style-type: none"> <li>▪ Received and followed up creditor enquiries via telephone and email</li> <li>▪ Reviewed and prepared correspondence to creditors and their representatives via facsimile, email and post</li> <li>▪ Corresponded with creditors regarding status of the administration</li> <li>▪ Reconvened second meeting of creditors</li> </ul>
	Creditor reports/circulars	<ul style="list-style-type: none"> <li>▪ Prepared report pursuant to section 439A of the Act</li> </ul>
<b>Administration</b>  <b>90.60 hours</b> <b>\$20,734.00</b>	Correspondence	<ul style="list-style-type: none"> <li>▪ Prepared general correspondence to numerous parties</li> <li>▪ Corresponded with utility providers regarding ongoing requirements</li> </ul>
	Document maintenance/ file review/ checklist	<ul style="list-style-type: none"> <li>▪ Filed documents</li> <li>▪ Conducted file reviews</li> <li>▪ Updated checklists</li> <li>▪ Updated employee and creditor contact details</li> </ul>
	Insurance	<ul style="list-style-type: none"> <li>▪ Identified potential issues requiring attention of insurance specialists</li> <li>▪ Corresponded with Willis regarding initial and ongoing insurance requirements</li> <li>▪ Reviewed insurance policies</li> </ul>
	Bank account administration	<ul style="list-style-type: none"> <li>▪ Requested bank statements</li> <li>▪ Conducted bank account reconciliations</li> <li>▪ Corresponded with bank regarding specific transfers</li> <li>▪ Corresponded with bank regarding payroll authorisation and online banking</li> </ul>
	ASIC Forms	<ul style="list-style-type: none"> <li>▪ Prepared and lodged ASIC forms</li> <li>▪ Corresponded with ASIC regarding statutory forms</li> </ul>
	ATO & other statutory reporting	<ul style="list-style-type: none"> <li>▪ Review of post appointment Business Activity Statement return</li> <li>▪ Discussions with ATO regarding the payment of the pre appointment Business Activity Statement Return</li> </ul>



<b>Task Area</b>	<b>General Description</b>	<b>Includes</b>
<b>Employees</b>  <b>1.80 hours</b> <b>\$2,457.50</b>	Employee enquiries	<ul style="list-style-type: none"> <li>▪ Received and followed up employee enquiries via telephone and email</li> </ul>
	Other employee issues	<ul style="list-style-type: none"> <li>▪ Processed fortnightly payroll requirements</li> </ul>
<b>Trade On</b>  <b>9.90 hours</b> <b>\$2,393.00</b>	Trade On Management	<ul style="list-style-type: none"> <li>▪ Attending to issues arising from day to day operations</li> <li>▪ Entering receipts and payments into accounting system</li> </ul>



**A2 Tasks undertaken by the Administrators and remuneration calculation for the period 1 August 2009 to 2 October 2009 are tabled below:**

Employee	Position	Charge Rate	Total		Assets		Creditors		Administration		Employees		Trade On	
			\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours
Andrew Saker	Partner	540.00	11.00	5,940.00		-	1.90	1,026.00	8.50	4,590.00		-	0.60	324.00
Darren Weaver	Partner	540.00	0.40	216.00	0.10	54.00	0.10	54.00		-		-	0.20	108.00
Martin Jones	Partner	540.00	2.10	1,134.00		-	1.60	864.00	0.50	270.00		-		-
Andrew Smith	Senior Manager	390.00	0.10	39.00		-		-	0.10	39.00		-		-
Tom Birch	Supervisor	285.00	65.90	18,781.50	0.70	199.50	34.40	9,804.00	24.40	6,954.00	2.50	712.50	3.90	1,111.50
Derek Keir	Senior 2	230.00	3.70	851.00		-		-	0.80	184.00	2.60	598.00	0.30	69.00
Sean Holmes	Intermediate 1	185.00	31.90	5,901.50		-	29.00	5,365.00	2.20	407.00		-	0.70	129.50
Adam Puddy	Intermediate 2	155.00	59.20	9,176.00	3.20	496.00	25.30	3,921.50	19.80	3,069.00	7.40	1,147.00	3.50	542.50
Adrian Di Menna	Intermediate 2	155.00	29.70	4,603.50	4.70	728.50	0.70	108.50	23.60	3,658.00		-	0.70	108.50
Melissa Kroon	Secretary	150.00	8.50	1,275.00		-		-	8.50	1,275.00		-		-
Jacqui Westwood	Secretary	150.00	0.10	15.00		-		-	0.10	15.00		-		-
Kate Martin	Clerk	130.00	0.10	13.00		-		-	0.10	13.00		-		-
Dorothy Radisich	Clerk	130.00	2.00	260.00		-		-	2.00	260.00		-		-
<b>Total</b>			<b>214.70</b>	<b>48,205.50</b>	<b>8.70</b>	<b>1,478.00</b>	<b>93.00</b>	<b>21,143.00</b>	<b>90.60</b>	<b>20,734.00</b>	<b>12.50</b>	<b>2,457.50</b>	<b>9.90</b>	<b>2,393.00</b>
GST				4,820.55		147.80		2,114.30		2,073.40		245.75		239.30
<b>TOTAL (including GST)</b>				<b>53,026.05</b>		<b>1,625.80</b>		<b>23,257.30</b>		<b>22,807.40</b>		<b>2,703.25</b>		<b>2,632.30</b>
<i>Average hourly rate</i>			<i>224.52</i>		<i>169.89</i>		<i>227.34</i>		<i>228.85</i>		<i>196.60</i>		<i>241.72</i>	



**A3 Anticipated tasks and estimated Administrators' remuneration for the period 3 October 2009 to 20 October 2009 is tabled below:**

Based on the following anticipated tasks of the Administrators, we estimate fees for the above period to be \$15,000.00 (excl. GST)

<b>Task Area</b>	<b>General Description</b>	<b>Includes</b>
<b>Assets</b>  <b>5.00 hours</b> <b>\$1,035.00</b>	Sale of business as a going concern	<ul style="list-style-type: none"> <li>▪ Liaising with interested parties</li> <li>▪ Internal meetings to discuss / review offers received</li> <li>▪ Discuss with management regarding sale / restructure of NFL</li> <li>▪ Formulation of strategy to restructure NFL</li> <li>▪ Internal discussion regarding above</li> </ul>
<b>Creditors</b>  <b>31.00 hours</b> <b>\$6,415.00</b>	Creditor Enquiries	<ul style="list-style-type: none"> <li>▪ Receive and follow up creditor enquiries via telephone and email</li> <li>▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post</li> </ul>
	Dealing with proofs of debt	<ul style="list-style-type: none"> <li>▪ Receipting and filing POD's when not related to a dividend</li> <li>▪ Maintaining POD register</li> </ul>
	Meeting of Creditors	<ul style="list-style-type: none"> <li>▪ Preparing meeting notices, proxies and advertisements</li> <li>▪ Preparing report to creditors</li> <li>▪ Forwarded notice of meeting to all known creditors</li> <li>▪ Prepared and maintained register of proxies</li> <li>▪ Prepared meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting.</li> <li>▪ Responding to creditors queries and questions immediately following meeting</li> </ul>
<b>Employees</b>  <b>1.50 hours</b> <b>\$297.50</b>	Employee enquiries and entitlements	<ul style="list-style-type: none"> <li>▪ Receive and follow up employee enquiries via telephone</li> <li>▪ Employee entitlements calculations</li> </ul>
	Processing receipts and payments	<ul style="list-style-type: none"> <li>▪ Entering receipts and payments into accounting system</li> </ul>
<b>Administration</b>  <b>25.69 hours</b> <b>\$5,765.00</b>	Correspondence	<ul style="list-style-type: none"> <li>▪ General correspondence</li> </ul>
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> <li>▪ Administration reviews</li> <li>▪ Filing of documents</li> <li>▪ File reviews</li> <li>▪ Updating checklists</li> </ul>
	Bank account administration	<ul style="list-style-type: none"> <li>▪ Bank account reconciliations</li> <li>▪ Corresponding with bank regarding specific transfers</li> <li>▪ Maintenance of accounts</li> </ul>
	ASIC forms	<ul style="list-style-type: none"> <li>▪ Correspondence with ASIC regarding statutory forms</li> </ul>
	ATO & other statutory reporting	<ul style="list-style-type: none"> <li>▪ Preparing BAS's</li> </ul>
	Planning / Review	<ul style="list-style-type: none"> <li>▪ Discussions regarding status of administration</li> <li>▪ Discussion regarding proposed DOCA's</li> </ul>



Task Area	General Description	Includes
<b>Trade on</b>  <b>6.50 hours</b> <b>\$1,487.50</b>	Trade On Management	<ul style="list-style-type: none"> <li>▪ Liaised with management and staff</li> <li>▪ Attended to issues arising from day to day operations</li> </ul>
	Processing receipts and payments	<ul style="list-style-type: none"> <li>▪ Entered receipt and payments into accounting system</li> <li>▪ Prepared and reviewed payment and receipt requisitions</li> <li>▪ Collated supporting documentation for payments and receipts</li> </ul>



**A3 Schedule of anticipated tasks and estimated Administrators' remuneration for the period 3 October 2009 to 20 October 2009 is tabled below:**

Employee	Position	Charge Rate	Total		Assets		Creditors		Administration		Employees		Trade On	
			Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Andrew Saker	Partner	540.00	6.00	3,240.00	-	-	2.00	1,080.00	3.00	1,620.00	-	-	1.00	540.00
Tom Birch	Supervisor	285.00	10.00	2,850.00	2.00	570.00	3.00	855.00	4.00	1,140.00	0.50	142.50	0.50	142.50
Derek Keir	Senior 2	230.00	1.00	230.00	-	-	-	-	1.00	230.00	-	-	-	-
Sean Holmes	Intermediate 1	185.00	20.00	3,700.00	-	-	15.00	2,775.00	4.00	740.00	-	-	1.00	185.00
Adam Puddy	Intermediate 2	155.00	20.00	3,100.00	1.00	155.00	10.00	1,550.00	5.00	775.00	1.00	155.00	3.00	465.00
Adrian Di Menna	Intermediate 2	155.00	6.00	930.00	2.00	310.00	1.00	155.00	2.00	310.00	-	-	1.00	155.00
Melissa Kroon	Secretary	150.00	4.00	600.00	-	-	-	-	4.00	600.00	-	-	-	-
Kate Martin	Clerk	130.00	0.69	90.00	-	-	-	-	0.69	90.00	-	-	-	-
Dorothy Radisich	Clerk	130.00	2.00	260.00	-	-	-	-	2.00	260.00	-	-	-	-
<b>Total</b>			<b>69.69</b>	<b>15,000.00</b>	<b>5.00</b>	<b>1,035.00</b>	<b>31.00</b>	<b>6,415.00</b>	<b>25.69</b>	<b>5,765.00</b>	<b>1.50</b>	<b>297.50</b>	<b>6.50</b>	<b>1,487.50</b>
<b>GST</b>				<b>1,500.00</b>		<b>103.50</b>		<b>641.50</b>		<b>576.50</b>		<b>29.75</b>		<b>148.75</b>
<b>TOTAL (including GST)</b>				<b>16,500.00</b>		<b>1,138.50</b>		<b>7,056.50</b>		<b>6,341.50</b>		<b>327.25</b>		<b>1,636.25</b>
<i>Average hourly rate</i>			<i>215.23</i>		<i>207.00</i>		<i>206.94</i>		<i>224.39</i>		<i>198.33</i>		<i>228.85</i>	



**A4 Where Deed Administrators are appointed, a schedule of anticipated tasks and remuneration estimate from 21 October 2009 to the conclusion of the Deed of Company Arrangement:**

Based on the following anticipated tasks of the Administrators, we estimate fees for the above period to be \$75,000.00 (excluding GST)

<b>Task Area</b>	<b>General Description</b>	<b>Includes</b>
<b>Assets</b> <b>135.00 hours</b> <b>\$34,450.00</b>	Sale of business	<ul style="list-style-type: none"> <li>▪ Liaising with selected party</li> <li>▪ Accept and settle offers</li> <li>▪ Finalise sale / restructure of NFL</li> <li>▪ Assist with recapitalisation / audit of accounts / shareholder meetings with DOCA proponent</li> <li>▪ Internal discussion regarding above</li> </ul>
<b>Creditors</b> <b>15.00 hours</b> <b>\$3,735.00</b>	Creditor Enquiries	<ul style="list-style-type: none"> <li>▪ Receive and follow up creditor enquiries via telephone</li> <li>▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post</li> </ul>
	Creditor reports/circulars	<ul style="list-style-type: none"> <li>▪ Preparing circular to creditors</li> <li>▪ General reporting to creditors</li> </ul>
	Dealing with proofs of debt	<ul style="list-style-type: none"> <li>▪ Receipting and filing POD's when not related to a dividend</li> </ul>
<b>Administration</b> <b>161.31 hours</b> <b>\$33,250.00</b>	Correspondence	<ul style="list-style-type: none"> <li>▪ General correspondence</li> </ul>
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> <li>▪ Updating checklists</li> <li>▪ Filing of documents</li> <li>▪ File reviews</li> </ul>
	Bank account administration	<ul style="list-style-type: none"> <li>▪ Bank account reconciliations</li> <li>▪ Corresponding with bank regarding specific transfers</li> </ul>
	ASIC Forms	<ul style="list-style-type: none"> <li>▪ Corresponding with ASIC regarding statutory forms</li> </ul>
	ATO & other statutory reporting	<ul style="list-style-type: none"> <li>▪ BAS and taxation reporting</li> </ul>
	Planning / Review	<ul style="list-style-type: none"> <li>▪ Discussions regarding status of administration</li> </ul>
<b>Dividend</b> <b>12.00 hours</b> <b>\$3,565.00</b>	Unsecured creditors	<ul style="list-style-type: none"> <li>▪ Adjudicate POD's</li> <li>▪ Distribute dividend</li> </ul>
	Employees	<ul style="list-style-type: none"> <li>▪ Distribution of employee entitlements</li> </ul>



**A4 Where Deed Administrators are appointed, a schedule of anticipated tasks and remuneration estimate from 21 October 2009 to the conclusion of the Deed of Company Arrangement is tabled below:**

Employee	Position	Charge Rate	Total		Assets		Creditors		Administration		Dividend	
			Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Andrew Saker	Partner	540.00	30.00	16,200.00	15.00	8,100.00	2.00	1,080.00	10.00	5,400.00	3.00	1,620.00
Tom Birch	Supervisor	285.00	100.00	28,500.00	55.00	15,675.00	4.00	1,140.00	37.00	10,545.00	4.00	1,140.00
Sean Holmes	Intermediate 1	185.00	30.00	5,550.00	20.00	3,700.00	4.00	740.00	5.00	925.00	1.00	185.00
Adam Puddy	Intermediate 2	155.00	90.00	13,950.00	30.00	4,650.00	4.00	620.00	53.00	8,215.00	3.00	465.00
Adrian Di Menna	Intermediate 2	155.00	40.00	6,200.00	15.00	2,325.00	1.00	155.00	23.00	3,565.00	1.00	155.00
Melissa Kroon	Secretary	150.00	13.50	2,025.00	-	-	-	-	13.50	2,025.00	-	-
Kate Martin	Clerk	130.00	9.81	1,275.00	-	-	-	-	9.81	1,275.00	-	-
Dorothy Radisich	Clerk	130.00	10.00	1,300.00	-	-	-	-	10.00	1,300.00	-	-
<b>Total</b>			<b>323.31</b>	<b>75,000.00</b>	<b>135.00</b>	<b>34,450.00</b>	<b>15.00</b>	<b>3,735.00</b>	<b>161.31</b>	<b>33,250.00</b>	<b>12.00</b>	<b>3,565.00</b>
<b>GST</b>				<b>7,500.00</b>		<b>3,445.00</b>		<b>373.50</b>		<b>3,325.00</b>		<b>356.50</b>
<b>TOTAL (including GST)</b>				<b>82,500.00</b>		<b>37,895.00</b>		<b>4,108.50</b>		<b>36,575.00</b>		<b>3,921.50</b>
<i>Average hourly rate</i>			<i>231.98</i>		<i>255.19</i>		<i>249.00</i>		<i>206.13</i>		<i>297.08</i>	



**A5 Where Liquidators are appointed, a schedule of the Liquidators' anticipated tasks and remuneration estimate from 21 October 2009 to the conclusion of the liquidation is tabled below:**

Based on the following anticipated tasks of the Liquidation, we estimate the Liquidators' fees to be \$55,000.00 (excluding GST).

<b>Task Area</b>	<b>General Description</b>	<b>Includes</b>
<b>Creditors</b>  <b>31.00 hours</b> <b>\$7,025.00</b>	Creditor Enquiries	<ul style="list-style-type: none"> <li>▪ Receive and follow up creditor enquiries via telephone</li> <li>▪ Maintaining creditor enquiry register</li> <li>▪ Review and prepare correspondence to creditors and their representatives via facsimile, email and post</li> <li>▪ Attendance of creditors meeting</li> </ul>
	Creditor reports/circulars	<ul style="list-style-type: none"> <li>▪ Preparing circular to creditors following resolution of liquidation</li> <li>▪ General reporting to creditors</li> </ul>
	Dealing with proofs of debt	<ul style="list-style-type: none"> <li>▪ Receipting and filing POD's</li> <li>▪ Maintaining POD register</li> <li>▪ Adjudicating POD's</li> </ul>
<b>Investigations</b>  <b>28.00 hours</b> <b>\$6,330.00</b>	Statutory investigations	<ul style="list-style-type: none"> <li>▪ 533 Report</li> </ul>
<b>Administration</b>  <b>136.00 hours</b> <b>\$28,915.00</b>	Correspondence	<ul style="list-style-type: none"> <li>▪ General correspondence</li> </ul>
	Document maintenance/file review/checklist	<ul style="list-style-type: none"> <li>▪ Updating checklists</li> <li>▪ Filing of documents</li> <li>▪ File reviews</li> </ul>
	Bank account administration	<ul style="list-style-type: none"> <li>▪ Bank account reconciliations</li> <li>▪ Corresponding with bank regarding specific transfers</li> </ul>
	ASIC Form 524 and other forms	<ul style="list-style-type: none"> <li>▪ Preparing and lodging ASIC forms including 524 and 911 etc</li> <li>▪ Corresponding with ASIC regarding statutory forms</li> </ul>
	ATO & other statutory reporting	<ul style="list-style-type: none"> <li>▪ BAS and taxation reporting</li> </ul>
	Planning / Review	<ul style="list-style-type: none"> <li>▪ Discussions regarding status of administration</li> </ul>
	Books and records / storage	<ul style="list-style-type: none"> <li>▪ Dealing with records in storage</li> <li>▪ Sending job files to storage</li> </ul>
<b>Assets</b>  <b>42.00 hours</b> <b>\$10,535.00</b>	Sale of business as going concern	<ul style="list-style-type: none"> <li>▪ NFPL Biodiesel Plant</li> <li>▪ Sale of GEM Biofuel Shares</li> </ul>
<b>Employees</b>  <b>10.00 hours</b> <b>\$2,195.00</b>	Calculation of entitlements	<ul style="list-style-type: none"> <li>▪ Finalising payments of employee entitlements</li> <li>▪ Application to GEERS for shortfall</li> </ul>



**A5 Where Liquidators are appointed, a schedule of the Liquidators' anticipated tasks and remuneration estimate from 21 October 2009 to the conclusion of the liquidation is tabled below:**

Employee	Position	Charge Rate	Total		Assets		Creditors		Administration		Investigations		Employees	
			Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$	Hours	\$
Andrew Saker	Partner	540.00	20.00	10,800.00	5.00	2,700.00	2.00	1,080.00	10.00	5,400.00	2.00	1,080.00	1.00	540.00
Tom Birch	Supervisor	285.00	70.00	19,950.00	15.00	4,275.00	10.00	2,850.00	35.00	9,975.00	8.00	2,280.00	2.00	570.00
Sean Holmes	Intermediate 1	185.00	20.00	3,700.00	5.00	925.00	5.00	925.00	4.00	740.00	6.00	1,110.00	-	-
Adam Puddy	Intermediate 2	155.00	70.00	10,850.00	11.00	1,705.00	10.00	1,550.00	35.00	5,425.00	10.00	1,550.00	4.00	620.00
Adrian Di Menna	Intermediate 2	155.00	30.00	4,650.00	6.00	930.00	4.00	620.00	15.00	2,325.00	2.00	310.00	3.00	465.00
Melissa Kroon	Secretary	150.00	12.00	1,800.00	-	-	-	-	12.00	1,800.00	-	-	-	-
Kate Martin	Clerk	130.00	13.00	1,690.00	-	-	-	-	13.00	1,690.00	-	-	-	-
Dorothy Radisich	Clerk	130.00	12.00	1,560.00	-	-	-	-	12.00	1,560.00	-	-	-	-
<b>Total</b>			<b>247.00</b>	<b>55,000.00</b>	<b>42.00</b>	<b>10,535.00</b>	<b>31.00</b>	<b>7,025.00</b>	<b>136.00</b>	<b>28,915.00</b>	<b>28.00</b>	<b>6,330.00</b>	<b>10.00</b>	<b>2,195.00</b>
<b>GST</b>				<b>5,500.00</b>		<b>1,053.50</b>		<b>702.50</b>		<b>2,891.50</b>		<b>633.00</b>		<b>219.50</b>
<b>TOTAL (including GST)</b>				<b>60,500.00</b>		<b>11,588.50</b>		<b>7,727.50</b>		<b>31,806.50</b>		<b>6,963.00</b>		<b>2,414.50</b>
<i>Average hourly rate</i>			<i>222.67</i>		<i>250.83</i>		<i>226.61</i>		<i>212.61</i>		<i>226.07</i>		<i>219.50</i>	

If costs exceed the estimates made above, we will advise creditors accordingly and seek further approval from creditors.



#### **A6 Remuneration approved and drawn to date**

As at the date of this report, \$147,430.67 of remuneration has been approved and drawn by the Administrators.

Administrators' remuneration for the period 20 June 2009 to 31 July 2009 in the amount of \$27,527.65 excluding GST was previously approved by creditors, however, this amount has not been drawn by the Administrators to date.

A provision for the Administrators' remuneration for the period 1 August 2009 to 17 August 2009 in the amount of \$20,000.00 was previously approved by creditors, however, we now seek approval on the actual remuneration incurred for that period as set out in this annexure.

#### **A7 Resolutions regarding remuneration to be put to creditors at the meeting convened for 21 October 2009.**

At the second meeting of creditors convened for 21 October 2009, creditors will be asked to consider the following resolutions in relation to remuneration:

*"That the Administrators remuneration, as set out in the Administrators' remuneration report for the period 1 August 2009 to 2 October 2009 in the sum of \$48,205.50 exclusive of GST be approved."*

*"That a provision for the Administrators' future remuneration for the period 3 October 2009 to 20 October 2009 in the amount of \$15,000.00 exclusive of GST be approved but subject to upward or downward adjustment by resolution of creditors."*

If creditors resolve to execute a Deed of Company Arrangement ("DOCA"):

*"That a provision for the Deed Administrators' future remuneration for the period 21 October 2009 to the conclusion of the DOCA in the amount of \$75,000.00 exclusive of GST be approved but subject to upward or downward adjustment by resolution of creditors."*

If creditors resolve to place the Company into Liquidation:

*"That a provision for the Liquidators' future remuneration in the amount of \$55,000.00 exclusive of GST be approved subject to upward or downward adjustment by resolution of creditors / committee of inspection and that the Liquidators be authorised to draw their fees monthly in arrears."*



## PART B

### **B1 Administrators' Disbursements**

Disbursements are divided into three types **D1**, **D2** and **D3**.

- D1** Disbursements are all externally provided professional services and are recovered at cost. An example of a D1 disbursement is legal fees.
- D2** Disbursements are externally provided non professional costs such as travel, accommodation and search fees. D2 disbursements are recovered at cost.
- D3** Disbursements are internally provided non professional costs such as photocopying and document storage. D3 disbursements are charged at cost except for photocopying and printing which are charged at a rate which is intended to recoup both variable and fixed costs. The relevant rates are set out below:

Disbursements	Charges (Excluding GST)
Postage	At cost
Telephone	At cost
Document Production	35 cents per copy
Facsimile	At cost
Advertising	At cost
Storage – Per Box	At cost
Storage – Per File	At cost
Couriers	At cost

Creditor approval for the payment of disbursements is not required, however the Administrators must account to creditors. Creditors have the right to question the incurring of disbursements and can challenge disbursements in court.

### **B2 Summary of Receipts and Payments for the period 9 April 2009 to 2 October 2009**

Refer to Annexure 2 of the Administrators' Report dated 10 October 2009 for the summary of Receipts and Payments.

### **B3 Other creditor information on remuneration**

The partners of Ferrier Hodgson Perth are members of the Insolvency Practitioners Association of Australia and follow the IPA Code of Professional Practice. A copy of the Code of Professional Practice may be found on the IPA website at [www.ipaa.com.au](http://www.ipaa.com.au)

An information sheet concerning approval of remuneration in external administrations can also be obtained from the IPA website.



## **B4 Initial Advice to Creditors**

### **Remuneration Methods**

There are four basic methods that can be used to calculate the remuneration charged by an insolvency Practitioner. They are:

- 1. Time based / hourly rates**  
This is the most common method. The total fee charged is based on the hourly rate charged for each person who carried out the work multiplied by the number of hours spent by each person on each of the tasks performed.
- 2. Fixed Fee**  
The total fee charged is normally quoted at the commencement of the administration and is the total cost for the administration. Sometimes a Practitioner will finalise an administration for a fixed fee.
- 3. Percentage**  
The total fee charged is based on a percentage of a particular variable, such as the gross proceeds of assets realisations.
- 4. Contingency**  
The practitioner's fee is structured to be contingent on a particular outcome being achieved.

### **Method chosen**

Given the nature of this administration we propose that our remuneration be calculated on the time based / hourly rates method.

This method was selected as it is the most practical method, and provides the most transparency to creditors given the nature of this administration.

Dated this 12<sup>th</sup> day of October 2009

A handwritten signature in black ink, appearing to read 'A Saker', written over a horizontal line.

ANDREW SAKER  
Joint and Several Administrator of  
Natural Fuel Limited



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# Annexure 2

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## DOCA Proposals

**NRG CAPITAL PTY LTD**  
ACN 137 741 809

Unit 36 Outram Street  
West Perth WA 6005  
Telephone: (08) 9295 5901  
Facsimile: (08) 9295 5900

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12<sup>th</sup> October 2009

The Administrator  
Ferrier Hodgson  
Level 26 Bankwest Tower  
108 St Georges Tce  
Perth W.A. 6000

Dear Sir

**NATURAL FUEL LTD (ADMINISTRATOR APPOINTED)**

The following is an offer from NRG Capital Pty Ltd and its nominees (**Syndicate**) to recapitalise Natural Fuel Ltd (**Company**) and re-instate trading of its securities.

**Offer**

The material terms of the offer are as follows:

- (a) the Syndicate will take an initial placement in the Company of 575m shares at 0.1 cents per share to raise \$575,000 and arrange a broker to underwrite a non-renounceable rights issue of 1 new 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 \$1,422,083;
- (b) the amount of \$575,000 from the funds raised will be used by the Company in full and final satisfaction of all creditors claims (including those of the Administrator) pursuant to a deed of company arrangement for each of the Company and its subsidiaries (**DOCA**). These funds will be paid into 'the creditors' pool and held via a creditors trust. All other assets, other than the retained assets set out below, will also be transferred to the creditors trust. This aspect of the offer is subject to the approval of creditors and will be paid within a reasonable time after the receipt of ASX approval as set out in paragraph (g) below, or if shareholder approval is required, after that approval is obtained;
- (c) the convertible bond holders, the holder of any convertible loan facilities and other parties with debt to equity conversion rights agreeing to cancel those conversion rights;
- (d) the Company will retain the shareholding in the subsidiaries, Natural Fuel Australia Pty Ltd and Natural Fuel Energy Inc. (US) and their assets (as advised) for the purpose of re-instating the Company's securities to trading on the ASX. Alternatively, if this is not acceptable to the ASX, the Syndicate has a Hydrogen based technology available for acquisition and vending in to the Company prior to the relisting and as part of the proposal;

- (e) the reasonable legal costs of the Administrator for the preparation of the DOCA (in an amount 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 the accounts. These funds will be re-imbursed to the Syndicate out of the capital raisings. The Syndicate will prepare the meeting notices and prospectus and other documents and provide copies to the Administrator for clearance;
- (f) the Syndicate will pay a deposit of \$57,500 after the DOCA is approved by creditors and signed. The deposit is fully refundable if the transaction set out in this offer does not proceed;
- (g) the offer is conditional on the Australian Securities Exchange (**ASX**) confirming it will re-instate trading in the Company's securities on completion (on terms acceptable to the Syndicate); and
- (h) the offer is conditional on the Company seeking and obtaining shareholder approval for the following:
  - (i) the capital raisings set out in paragraph (a), to the extent required by the ASX; and
  - (ii) the appointment of Joshua Wellisch as a Director of the Company.

#### **Proponent Background and Financial Capacity**

NRG Capital Pty Ltd is the operating entity of the parent company Intercorp Pty Ltd of 2045 Roland Rd, Parkerville, W.A. 6081. Intercorp will guarantee the financial performance of the proponent putting forward this proposal.

The background of Intercorp Pty Ltd (and or its subsidiaries) is that it was responsible for the listing of Neptune Marine Services Ltd (NMS); Consolidated Tin Mines Ltd (CSD) and underwrote the capital raising to take a controlling interest in Oroya Mining Ltd (ORO).

#### **Acceptance**

Can you please confirm the acceptance of these terms by signing below.

Yours faithfully

#### **NRG CAPITAL PTY LTD**

The terms of this letter are agreed.

---

Attention: Andrew Saker  
Joint and Several Administrator of  
Natural Fuel Limited

Dear Andrew

Please find below Teco's complete offer for the purchase of the shell of Natural Fuel Limited (NFL).

1. The sum offered is \$575,000. This is a cash offer, and is only subject to the approval of shareholders at an Extraordinary General Meeting (EGM). Teco intends to call the EGM as soon as possible.
2. A 10% deposit will be provided upon the acceptance of the Deed of Company Arrangement (DOCA), deemed to be November 10<sup>th</sup> 2009.
3. Teco will meet all reasonable legal costs in the preparation of the DOCA. The terms of the DOCA are to be acceptable to Teco and its legal advisors.
4. Payment of the 90% outstanding, being \$517,500, will be within 10 working days of shareholder approval at the EGM. ASX approval will not be a condition of payment.
5. The shareholding structure post acquisition of the shell will be 80% Teco and 20% existing shareholders.
6. Teco will bear all costs associated with the EGM, which includes the meeting and all documents required for the meeting.
7. Assets for continuity are to be the NFL shell, the shareholding and loans in NFE and NFAL, and any other assets not required by the Administrators, which may be requested by Teco or its legal advisors.
8. Surety of payment has been made by Moltoni Corporation in a recently emailed letter. Moltoni is a company with over \$40 million in current net assets. Additional financial surety can be provided by Roger Stroud.
9. Teco intends to provide a compatible business into the NFL shell for the benefit of all shareholders, so that they can achieve a positive outcome from their longstanding commitment.

Kind Regards

Roger Stroud  
8<sup>th</sup> October 2009



22 September 2009

Tom Birch and Adrian Di Menna  
Ferrier Hodgson  
Level 26, Bank West Tower  
108 St George's Terrace  
Perth WA 6000

Dear Sirs

**NATURAL FUELS LIMITED**

Please find enclosed an offer to recapitalise Natural Fuels Limited (**Company**).

The material terms of the offer for the corporate "shell" are as follows:

- (a) the Syndicate (or its nominees) will provide \$600,000 cash to the Creditors (**Creditor Consideration**);

[NB: the Syndicate will have no objection to the funds being allocated at the discretion of the Administrators between the secured and unsecured creditors];

- (b) the Company will retain sufficient assets required to enable the Company to requote on the Australian Securities Exchange (**ASX**), being only the shareholdings in Natural Fuel Australia Pty Ltd and NFE Inc (the US subsidiary), together with any "know how" that may be owned by these entities;
- (c) the Creditor Consideration will be used in full and final satisfaction of all creditor claims (including those of the administrators) pursuant to a deed of company arrangement entered into by the Company and each of its subsidiaries (**DOCA**); and
- (d) the Creditor Consideration will be raised through one or more capital raisings by the Company (which will be subject to the receipt of shareholder approval). The Syndicate has secured an underwriter to fully underwrite these capital raisings.

If this offer is acceptable, the Syndicate will expect that the parties enter into a Reconstruction Deed as soon as practicable. Further, we will seek an undertaking that the Administrators are exclusively dealing with the Syndicate.

Please consider the terms of our offer (Annexure "A"). If you have any queries, please do not hesitate to contact myself on (08)9223 5511 or 0439 943 067.

Strictly private and confidential

Regards

Cygnnet Capital

**For and on behalf of the Investment Syndicate**

## ANNEXURE "A"

### OFFER IN RELATION TO NATURAL FUELS LIMITED

#### 1. TERMS OF THE RECAPITALISATION PROPOSAL

##### 1.1 Material Terms

- (a) The Company will consolidate its existing shares on a one (1) for twenty five (25) basis.
- (b) The Syndicate (or nominees of the Syndicate) will provide \$600,000 cash (**Creditor Consideration**) to be allocated to the creditors of the Company. Of this, the Syndicate agrees to make available a fully refundable deposit of \$60,000 (10%) once creditor approval has been obtained and a DOCA together with a Reconstruct Deed have been executed by the administrators. The deposit will be refundable in the event any of the conditions outlined in clause 1.4 below are not satisfied.
- (c) The Creditor Consideration will be raised through one or more capital raisings by the Company (which will be subject to the receipt of shareholder approval). The Syndicate and its associated parties will provide all of the funds required for these capital raisings. It is proposed that the capital raisings will be as follows:
  - (i) 120,000,000 shares at \$0.001 to raise \$120,000;
  - (ii) 120,000,000 free options to acquire shares with an exercise price of \$0.01 each and an expiry date of 31 December 2012; and
  - (iii) 400,000,000 shares at an issue price of not less than \$0.005 each to raise up to \$2,000,000;
- (d) **The Syndicate will bear the risk on the capital raisings.** The Creditor Consideration will be made available to the Administrators within 5 business days after the satisfaction of the conditions set out below.
- (e) All of the directors of the Company will be removed and replaced by nominees of the Syndicate.
- (f) The Company will retain the shareholdings in Natural Fuel Australia Pty Ltd and NFE Inc (the US subsidiary), together with any "know how" that may be owned by these entities (the Administrators will not be required to provide any warranties about ownership of the "know how"). All other assets of the Company group (including any shareholdings in other subsidiaries) will be transferred to the Trust Fund. The Syndicate will make its own investigations with the ASX in this regard following further discussions with the administrators about the likely residual assets.
- (g) The Creditor Consideration is offered for control of the Company and its subsidiaries and is made on the basis that immediately following shareholder approval of this proposal:

- (i) the DOCA terminates and a trust fund is established to hold the Creditor Consideration for creditors and claimants of the Company and its subsidiaries (**Trust Fund**); and
- (ii) the Company pays the Trustees of the Trust Fund (or they direct) the Creditor Consideration in full and final satisfaction of the Syndicate's offer in relation to the Recapitalisation Proposal.

## 1.2 Proposed Capital Structure

The Syndicate understands that there are currently 337,812,127 shares on issue in the Company.

	Shares	Options
Existing Shares (1 for 25)	20,264,485	1,331,543
Promoter Shares	120,000,000	120,000,000
Placement	400,000,000	0
<b>Total</b>	<b>540,264,485</b>	<b>121,331,543</b>

In the event that the Convertible Bondholders are entitled to convert their bonds into shares and some or all of them do so, the consolidation ratio will be adjusted such that, on completion of the consolidation, the number of shares on issue is approximately 20,000,000.

## 1.3 Cash Allocation

Syndicate Placement	\$120,000
General Placement	\$2,000,000
<b>Less</b> Cash to Creditors	\$(550,000)
<b>Less</b> Reconstruction Cost	\$(80,000)
<b>Total Cash</b>	<b>\$1,490,000</b>

## 1.4 Conditions

The offer under the Recapitalisation Proposal is subject to the following general conditions:

- (a) creditor approval for the Recapitalisation Proposal in accordance with the requirements of the Corporations Act;
- (b) none of the Convertible Bondholders elect to convert their bonds into shares in the Company;
- (c) all liabilities and long term commitments of the Company as at settlement of the Recapitalisation Proposal being released and compromised via a DOCA that reflects the terms of the offer (including, without limitation, the cancellation of all outstanding

Convertible Bonds). It shall be a term of the DOCA that it is wholly effectuated and the appointment of the Deed Administrators terminates contemporaneously with the payment by the Company of the Creditor Consideration to the Trustees of the Trust Fund;

- (d) all creditors (including the holders of Convertible Bonds) will be required to prove debts against the Trustees of the Trust Fund as if they were the Company and payments to creditors shall be made in accordance with the DOCA;
- (e) all employees of the Company group being terminated without any liability to the Company post DOCA termination;
- (f) ASX providing written confirmation to the Company that it will lift the suspension on the trading of the securities of the Company on completion of the capital raisings without the need to re-comply with chapters 1 and 2 of the Listing Rules on finalising the DOCA (The Syndicate will assist in seeking such confirmations);
- (g) the Recapitalisation Proposal and the information memorandum to be sent to creditors and shareholders respectively shall specify that if the creditors do not approve the Recapitalisation Proposal, then the administrators or the Deed Administrators, as the case may be, shall have no other option but to recommend to the creditors that the Company and its subsidiaries be placed immediately into liquidation;
- (h) the receipt of shareholder approval with respect to the terms of the Recapitalisation Proposal; and
- (i) within 10 Business Days of creditor approval being obtained, the Administrators and the Company enter into a Reconstruction Deed with the Syndicate on terms consistent with this offer letter. Notwithstanding this, on acceptance of this offer (and creditor approval under clause 1.4(a) above), the parties acknowledge that a binding contract will be created between them on the terms set out herein.

The Syndicate will be entitled to waive any or all of the above conditions by notice in writing to the Administrators (other than the condition in clause 1.4(a)).

## 1.5 Costs

The Syndicate will:

- (a) if required, prepare first drafts of the DOCA(s) and Creditors' Trust Deeds;
- (b) bear its own legal costs for preparation of a Prospectus and the Notice of Meeting together with the costs of holding the shareholders' meeting;

- (c) bear the costs of any due diligence (as conducted by the Syndicate) in order to prepare the required shareholder meeting materials and will submit these materials to ASX, the ASIC and the Deed Administrators for approval prior to dispatch to the shareholders of the Company; and
- (d) bear its own costs in relation to the preparation of the above documents which sums shall be reimbursed by the Company in the event that the proposals are approved and the Company is reinstated to trading on the ASX.

The Administrators will:

- (a) ensure ASX requirements for continuous disclosure are met and bare the costs of this until the Syndicate gains full control of NFL. This includes but is not limited to the upkeep of the NFL website;
- (b) ensure all accounts are kept in good standing, including all outstanding financial reports required by the ASX Listing Rules and the Corporations Act up to the date of settlement of the DOCA;
- (c) prepare a creditors' report and bear the costs of this report;
- (d) hold the shareholders' meeting;
- (e) keep the shareholder register updated; and
- (f) otherwise bear their own legal costs.

The Syndicate estimates that the costs of the matters to be undertaken it relating to convening the shareholder meeting including the materials being printed, mailed, possibly audited and the incurring of legal costs could be up to \$80,000 which the Syndicate agrees to bear.

## 1.6 Additional Matters

The Syndicate confirms that:

- (a) no additional internal approvals are required in order to proceed to a binding offer; and
- (b) funding for the acquisition will be sourced from members of the Syndicate as well as third parties. No issues or delays are envisaged in relation to funding any proposal.

## 2. SYNDICATE MEMBERS

### *Cygnnet Capital Ltd*

Cygnnet was formed in 2003 by Jonathan Rosham, Darien Jagger and Mark Davies to provide investment banking, corporate advisory, funds management and portfolio management services for corporate clients and individual investors. Cygnnet is a corporate authorised representative of Cygnnet Securities Pty Ltd – an AFS license holder. It provides boutique

corporate advisory services to small and medium enterprises seeking growth opportunities. Cygnet has offices in Melbourne and Perth and currently has over \$200m in client funds under management and advice. Cygnet has established commercial relationships with other broking and corporate advisory business' Australia wide to collectively provide a strong and diversified capital raising network and solid after market support.

Cygnet has experience in successful recapitalisations, including in recent times: Mobilesoft Limited.

***Peter Wall (Partner at Steinepreis Paganin – Corporate Law Firm)***

Peter graduated from the University of Western Australia with a Bachelor of Laws and Bachelor of Commerce. He has also completed a Masters of Applied Finance and Investments.

Following graduation from UWA, Peter commenced employment at Jackson McDonald and later joined Steinepreis Paganin in January 2000.

Peter was appointed a Partner at Steinepreis Paganin on 1 July 2005.

Peter has advised on numerous IPOs and has a wide range of experience in all forms of mergers and acquisitions (including takeovers and schemes of arrangement). Peter's other areas of practice include reconstructions, energy and resources, telecommunications, capital markets, corporate and strategic advice, securities law, commercial law and contract law.

Peter has **significant** experience in successful recapitalisations, including in recent times: Digital and Voice Media Limited, Environmental Solutions International Limited, G Retail Limited, Knights Insolvency Administration Limited, Transerv Limited, Centralian Minerals Limited, NSL Health Limited, Computronics Holdings Limited, Sam's Seafood Holdings Limited, Cape Range Wireless Limited, Gleneagle Gold Limited and Mobilesoft Limited.



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# Annexure 3

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## Summary of Receipts and Payments



<b>Receipts</b>	<b>Amount (\$)</b>
Sub Lease - Rent Income	40,682
Interest Income	629
Sundry Income	4,513
Transfer from Pre-appointment Bank Account	1,069,861
	<b>1,115,685</b>
<b>Payments</b>	<b>Amount (\$)</b>
Appointee Costs	(18,788)
Appointee Fees	(162,174)
Cleaning Expenses	(1,678)
Computer & Internet Expenses	(8,194)
Electricity	(2,585)
Hire & Leasing	(8,906)
Insurance	(44,170)
Legal Fees	(42,043)
Office Lease Payments	(5,459)
PAYG Withheld	19,544
Printing & Stationery	(737)
Professional Fees	(46,438)
Rent & Rates	(86,529)
Stamp Duty	(144)
Sundry Expenses	(8,161)
Superannuation	(18,748)
Telephone & Fax	(3,843)
Wages & Salaries	(251,306)
	<b>(690,360)</b>
<b>Cash at Bank as at 2 October 2009</b>	<b>425,324</b>