

PERTH

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16 October 2009

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

SUPPLEMENTARY CIRCULAR TO
ADMINISTRATORS' REPORTS DATED 12 OCTOBER 2009

I refer to the Administrators' Report to Creditors of NFL dated 12 October 2009 ("**Reports**"). This Supplementary Circular should be read in conjunction with this Report.

I advise that subsequent to production of the Report, a further Deed of Company Arrangement ("**DOCA**") proposal was submitted from Coote Industrial Ltd ("**Coote**") at around 4pm on 16 October 2009.

I note that we are still in the process of reviewing the terms of the Coote DOCA proposal, to determine whether or not the proposal is capable of being implemented, given the proposed mandatory conversion of debt to equity for bondholders. We must also consider whether or not creditors are able to vote on said proposal at the reconvened second meeting of creditors to be held on 20 October 2009.

I enclose for your review a copy of the DOCA proposal submitted by Coote.

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

Yours faithfully

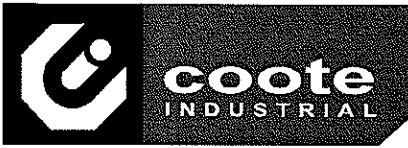


ANDREW SAKER
Joint and Several Administrator of
Natural Fuel Limited

Encl.

ADELAIDE
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NEWCASTLE
MELBOURNE
SYDNEY
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Affiliated through
Zolfo Cooper
and
Kroll Worldwide
UNITED STATES
UNITED KINGDOM



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www.coote.com.au

16 October 2009

The Administrator - NFL
C/O Ferrier Hodgson
Level 26 Bankwest Tower
108 St Georges Terrace
Perth WA 6000

Dear Sir

Re: NATURAL FUEL LTD (ADMINISTRATOR APPOINTED)

Please find below an offer from Coote Industrial Ltd (CIL) to purchase the corporate shell of Natural Fuel Ltd and retaining sufficient assets to regain ASX listing in order to recapitalise Natural Fuel Ltd (Company) and re-instate trading of its shares on the ASX.

Offer

The material terms of the offer are as follows:

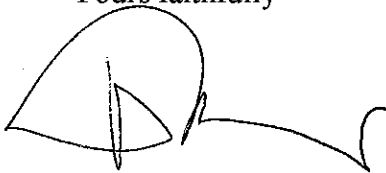
- (a) CIL will take an initial placement in the Company of 800,000,000 shares at 0.075 cents per share to raise \$600,000.00 initially to be made available to creditors in compensation for the corporate shell. It will further facilitate funding to allow NFL to reach the stage of a share reconstruction and a public offering incorporating one of several businesses currently available to them and looking for a listing.
- (b) The amount of \$600,000 from the CIL initial placement will be used by the Company in full and final satisfaction of all creditors claims, including those of the Administrator, with all liabilities and long term commitments of the Company as at settlement of the recapitalisation proposal being released and confirmed so pursuant to a deed of company arrangement (DOCA) for each of the Company and its subsidiaries. These funds will be paid into the creditors trust and held pending disbursement per outcome of the administration. Assets other than those listed below or required to relist will also be transferred to the creditors trust. This part of the offer is subject to the approval of creditors and will be paid after the receipt of ASX approval as set out in paragraph (g) below, or if shareholder approval is also required, after that approval is obtained.
- (c) The holders of convertible bonds (80,000,000 currently on issue) and the holder of a convertible loan facility (Ganesh Nominees Pty Ltd) will be offered the opportunity to convert to equity at 2 shares for each bond and 10 shares for each \$ of debt respectively.

- (d) The company will retain the shareholding in the subsidiaries, Natural Fuel Australia Pty Ltd and Natural Fuel Energy Inc. (US) and their assets (including know how) for the purpose of re-instating the Company's shares to trading on the ASX. If this is not sufficient for the ASX, CIL has access to other energy technology based companies 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 CIL. CIL will facilitate and pay the reasonable costs of the capital raisings, shareholder meeting notices, prospectus and preparation of the accounts. These funds will be reimbursed to CIL out of any capital raisings. CIL will arrange preparation of the meeting notices and prospectus and other documents required and provide copies to the Administrator for clearance.
- (f) The Syndicate will pay a deposit of \$60,000 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 CIL) and 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 CIL's nominees as Directors of the Company.

Background and Financial Capacity

Coote Industrial Ltd is a publically listed company currently listed on the Australian Stock Exchange.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Don Patterson', with a large, sweeping initial 'D'.

Don Patterson
CEO/Executive Director