ASX ANNOUNCEMENT

27 February 2009

Natural Fuel Limited's Half Yearly Report and Operations Update

Operations Update Singapore Jurong Island Biodiesel Facility

During the period, biodiesel trains 1 and 2 at the Company's Singapore plant have been proven to produce biodiesel on specification. Also a management restructure took place to reflect the changing nature of the business from that of a construction project to that of a Biodiesel refinery. Natural Fuel has been fortunate to engage Mr Ubbo von Oehsen, who has over 25 years experience in the manufacture of polymers and specialty chemicals and current experience in the manufacture of Biodiesel, to undertake the role of General Manager of the Singapore operations and facility. We welcome Mr. von Oehsen.

Natural Fuel remains committed to bringing the business to full biodiesel production capacity in 2010. In this regard NFL intends to complete the commissioning of its third biodiesel train by Q3 2009 calendar year. This will enable the production of up to 50,000 tonnes per month.

Due to the falling price of Glycerine and new Biodiesel opportunities described below, Natural Fuel has ceased the production of refined glycerine.

Sales

On 23 January 2009 NFL announced a major Biodiesel supply contract and its intention to arranging working capital to fund inventories. Due to the current global credit crisis NFL was unable to arrange inventory finance from lenders on its own balance sheet.

The Company has since received a further offer which provides the opportunity to take the plant to near full capacity while negating the need for NFL to secure additional working capital to fund inventories on its own account.

Both these factors were compelling in the decision to accept this latter offer over that previously announced. This contract will see Natural Fuel tolling biodiesel production for an independent Singapore based financier and feedstock supplier (The Financier).

The Financier will provide the working capital funding to consolidate the inventory of feedstock and will enter into a 12- month tolling agreement with Natural Fuel Pte Ltd to provide biodiesel to meet customers' requirements. Initial tolling requirement is for 30,000 tonnes of biodiesel per month commencing Q2 2009 calendar year increasing to 50,000 tonnes per month by Q3 2009 calendar year.

NATURAL FUEL LIMITED

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NATURAL FUEL

Half Yearly Results

Natural Fuel Limited (ASX: NFL) also today announced a net loss after tax for the six months to 31 December 2007 of $47.5 million. The result was impacted by a non cash write–down in relation to NFL's loan to its equity accounted associate Natural Fuels Australia Limited (NFAL).

The Group had a working capital deficit at 31 December 2008 of $29.3 million, which along with the cash requirement to finance ongoing operations and production will necessitate additional external funding during the current financial year. Directors are advancing negotiations to secure this additional funding, which may take the form of equity, debt or a combination of both.

Further information on the half year results to 31 December 2008 please refer to the attached Appendix 4D preliminary final report. Segment information is included in note 5.

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APPENDIX 4D

HALF-YEAR REPORT
PERIOD ENDED 31 DECEMBER 2008

Name of entity

NATURAL FUEL LIMITED

ABN or equivalent company reference

52 106 760 418

1.

Half year ended (current period)	Half year ended ('previous corresponding period')
31 December 2008	31 December 2007

2. Results for announcement to the market

						A$'000		A$'000
2.1	Revenues from ordinary activities	up	8101%	71	to	5,823
2.2	Net loss from ordinary activities after tax attributable to members	up	19%	(39,999)	to	(47,569)
2.3	Net loss for the period attributable to members	down	19%	(39,999)	to	(47,569)

Dividends (distributions)		Amount per security	Franked amount per security
2.4	Final dividend *(Preliminary final report only)*	N/A	N/A
2.4	Interim dividend *(Half yearly report only)*	N/A	N/A

2.5	Record date for determining entitlements to the dividend	N/A

2.6 Refer to attached Directors Report – Review of Operations

THE INFORMATION CONTAINED IN THIS FINANCIAL REPORT SHOULD BE READ IN CONJUNCTION WITH THE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

3. NTA backing

	Current period	Previous corresponding Period
Net tangible assets per security	$0.12	$0.18

4A. Control gained over entities having material effect

4.1	Name of entity (or group of entities)	N/A
4.2	Date of gain of control	N/A
4.3	Consolidated profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired	N/A
4.4	Profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A

4B. Loss of control of entities having material effect

4.1	Name of entity (or group of entities)	N/A
4.2	Date of loss of control	N/A
4.3	Consolidated profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired	N/A
4.4	Profit (loss) from ordinary activities after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A

5. Dividends / Distributions

Date the dividend (distribution) is payable	N/A
Amount per security of foreign source dividend	N/A

Total Dividends /Distributions

Ordinary securities	N/A
Preference securities	N/A

6.

Dividend or distribution investment plans in operation:	N/A
The last date(s) for receipt of election notices for the dividend or distribution reinvestment plans	N/A

7. Details of aggregate share of profits (losses) of associates and joint venture entities

Name of associate/joint venture:	Natural Fuels Australia Limited
Holding in entity	50%

Refer to attached financial statements.

8. Foreign Entities

Which set of accounting standards is used in compiling the report (e.g. International Accounting Standards)	IFRS

9. All Entities

A description of Accounts subject to audit dispute or qualification:	N/A

Attachment

Interim Financial Report 31 December 2008, including Audit Review Report.

NATURAL FUEL LIMITED & CONTROLLED ENTITIES

ACN 106 760 148

INTERIM FINANCIAL REPORT

31 DECEMBER 2008

This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by Natural Fuel Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

TABLE OF CONTENTS

Your directors present their report on the Group for the six months ended 31 December 2008.

The names of the directors in office at any time during or since the end of the half-year are:

Name

Non-executive

Ibrahim Risjad (appointed Chairman 16 September 2008)
Arwan Ahimsa (appointed 16 September 2008)
Richard Selwood
Robert Rooke
Michael Coote (resigned 27 November 2008)
Martin Kirwan (resigned 27 November 2008)

Executive

Michael Grant Pixley (appointed 16 September 2008)

REVIEW AND RESULTS OF OPERATIONS

The Group's principal activities in the course of the half-year were the construction and commissioning of a significant biodiesel plant in Singapore through its 100% owned subsidiary, Natural Fuel Pte Ltd ("NFPL").

Natural Fuel Limited (ASX:NFL) reported a net loss after tax of $47,569,448 for the current half-year compared with a loss of $39,999,465 in the 2007 half-year. The December 2008 half-year loss was attributable to the following:

- Revenue for the Group for the half-year was derived from the sale of finished goods of $4.75 million and interest received of $0.12 million
- Total operational costs for the half-year increased from $7.5 million in the prior half-year to $30.5 million for the current half-year. This increase is primarily attributable to the Singapore subsidiary commencing commissioning and production operations. Included in operations costs is an amount of $7.9 million being adjustment of inventory to lower of costs or net realisable value, plant-related costs of $14.5 million and insurance expenses of $0.7 million.
- The significant increase in depreciation and amortisation expenses from $56,305 in the prior half-year period to $3.97 million is due to the recognition of the Vopak and Banyan leases under AASB117 as finance lease. Total depreciation charged on financed leased assets amount to $2.99 million.
- Due to material uncertainty on the recoverability of the loan to NFL's 50% Joint Venture, Natural Fuels Australia Limited Administrators Appointed (NFAL), a non-cash provision for impairment of the loan to NFAL of $7.75 million has been recognised. This charge reduces the carrying amount of the loan to nil.

Cash at bank at 31 December 2008 totalled $7.4 million as compared with the year ended 30 June 2008 balance of $16.2 million. The movement in cash during the period is attributable to:

- Proceeds from Power Knight placement of $22.8 million (USD20 million).
- Working capital loan proceeds from Delma Commodities Pte Ltd of $0.7 million (USD0.5 million).
- Other major cash outgoings for the period included expenditure on plant development costs in Singapore totaling approx $6 million. Development costs capitalised have increased from $95.5 million at 30 June 2008 to $174 million at 31 December 2008.
- Payment of bi-annual interest on the convertible bonds of $3.4 million (USD2.7 million).
- Payment of interest on Power Knight loan of $1.3 million (USD0.87 million)
- Disbursement of $0.5 million was provided to the administrators of NFAL to fund their operations during the administration process.

For further information on the result please refer to the Interim Financial Statements for half-year ended 31 December 2008. Segmental information is included in note 5 of the financial statements.

OPERATIONS UPDATE

Jurong Island Biodiesel Facility, Singapore

During the period, biodiesel trains 1 and 2 at the Company's Singapore plant, have been proven to produce biodiesel on specification.

With the proven results, the Company has negotiated to enter into a tolling agreement with an independent Singapore-based financier and feedstock supplier (The Financier) to provide up to 50,000 tonnes of biodiesel per month.. The Financier will provide the working capital funding to consolidate the inventory of feedstock and will enter into a 12-month tolling agreement with Natural Fuel Pte Ltd to provide biodiesel to meet customers' requirements. Initial tolling requirement is for 30,000 tonnes of biodiesel per month commencing Q2 2009 calendar year increasing to 50,000 tonnes per month by Q3 2009 calendar year.

As the Company's preferred model is to bring biodiesel production to full capacity, NFL intends to complete the commissioning of its 3rd and last biodiesel train by the 3rd quarter of 2009 calendar year. This will enable the production of up to 50,000 tonnes of biodiesel per month. As biodiesel production ramps up, and with the falling commodities price of Glycerine, Natural Fuel has ceased production of refined glycerine due to negative margin.

Darwin Biodiesel Facility, Australia

On 22 September 2008, Natural Fuels Australia Limited (NFAL) a 50/50 Joint Venture between Natural Fuel Limited and Babcock and Brown Environmental Investments Limited has appointed Peter Walker and Steven Sherman of Ferrier Hodgson as joint and several voluntary administrators under Part 5.3A of the Corporations Act 2001. NFAL and its subsidiary Natural Fuel Darwin Pty Ltd (NFD) own and operate the biodiesel production facility in Darwin.

The directors of NFAL resolved to appoint administrators on Friday 19 September 2008 following the withdrawal of funding support by Babcock and Brown Environmental Investments Limited, with the effect that the 30 September 2008 repayment date for NFAL's secured loan to that shareholder would not be extended.

Following an assessment of the recoverability of Natural Fuel Limited's secured loan to NFAL, Natural Fuel Limited raised a provision for impairment of $36.8 million, reducing the carrying value of the loan to $7.25 million at 30 June 2008. With the appointed administrators for NFAL yet to produce a firm sale offer of the Darwin plant, NFL has in this half-year raised a further provision for impairment of $7.75 million, resulting in a nil carrying value of the NFAL loan as at 31 December 2008.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

Signed in accordance with a resolution of the Board of Directors:

MICHAEL GRANT PIXLEY
DIRECTOR

Dated the 27th day of February 2009

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AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF NATURAL FUEL LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Natural Fuel Limited for the half-year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been:

a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b No contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J W VIBERT
Director – Audit & Assurance

Perth, 27 February 2009

CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	CONSOLIDATED	
	31 DEC 2008 $	31 DEC 2007 $
REVENUE	**5,822,557**	71,484
Share of net loss of associate accounted for using the equity method	**-**	(6,487,218)
Plant related costs	**(14,454,293)**	(767,833)
Inventory write-downs	**(7,900,248)**	-
Depreciation and amortisation expenses	**(3,972,723)**	(56,305)
Net finance costs	**(14,987,053)**	4,205,439
Employee benefits expense	**(2,176,791)**	(3,178,456)
Revaluation of fair value through profit and loss financial assets	**(134,251)**	-
Provision of impairment of NFAL Loan	**(7,750,000)**	(30,289,381)
Other expenses	**(2,016,646)**	(3,497,195)
LOSS BEFORE TAX	**(47,569,448)**	(39,999,465)
Tax benefit	**-**	-
NET LOSS FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY	**(47,569,448)**	(39,999,465)
LOSS PER SHARE		
Basic (cents per share)	**(20.56)**	(11.84)
Diluted (cents per share)	**(20.56)**	(11.84)

The accompanying notes form part of these financial statements.

	NOTE	CONSOLIDATED 31 DEC 2008	30 JUN 2008
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**7,353,588**	16,244,316
Trade and other receivables		**1,721,032**	8,624,326
Inventories		**5,155,572**	4,072,344
Financial assets		**677,648**	811,899
TOTAL CURRENT ASSETS		**14,907,840**	29,752,885
NON-CURRENT ASSETS			
Financial assets		**10**	10
Investments accounted for using the equity method		**-**	-
Deferred Tax Asset		**4,220,233**	4,220,233
Property, plant and equipment		**319,132,978**	204,881,130
Intangible assets		**3,082,681**	3,082,681
TOTAL NON-CURRENT ASSETS		**326,435,902**	212,184,054
TOTAL ASSETS		**341,343,742**	241,936,939
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		**23,169,612**	14,622,957
Financial liabilities		**21,052,524**	17,173,326
TOTAL CURRENT LIABILITIES		**44,222,136**	31,796,283
NON-CURRENT LIABILITIES			
Financial liabilities		**220,602,979**	165,364,781
Deferred tax liability		**11,022,400**	11,022,400
TOTAL NON-CURRENT LIABILITIES		**231,625,379**	176,387,181
TOTAL LIABILITIES		**275,847,515**	208,183,464
NET ASSETS		**65,496,227**	33,753,475
EQUITY			
Issued capital		**194,306,252**	171,616,255
Reserves		**55,297,366**	(1,324,837)
Accumulated losses		**(184,107,391)**	(136,537,943)
TOTAL EQUITY		**65,496,227**	33,753,475

The accompanying notes form part of these financial statements.

CONSOLIDATED	ISSUED CAPITAL $	ACCUMULATED LOSSES $	OTHER RESERVES $	FOREIGN CURRENCY RESERVES	TOTAL $
BALANCE AT 1 JULY 2007	174,865,237	(64,990,896)	1,130,284	(2,317,102)	108,687,523
Listing fees on escrowed shares	(4,741)	-	-		(4,741)
Foreign exchange differences on translation	-	-		(3,817,990)	(3,817,990)
Loss attributable to members of the parent entity	-	(39,999,465)	-	-	(39,999,465)
BALANCE AT 31 DECEMBER 2007	**174,860,496**	**(104,990,361)**	**1,130,284**	**(6,135,092)**	**64,865,327**
BALANCE AT 1 JULY 2008	171,616,255	(136,537,943)	1,579,183	(2,904,020)	33,753,475
Listing fees on escrowed shares	(71,469)	-	-	-	(71,469)
Shares issued during the period	22,820,320	-	-	-	22,820,320
Cost of capital raising	(58,854)	-	-	-	(58,854)
Foreign exchange differences on translation	-	-	-	56,622,203	56,622,203
Loss attributable to members of the parent entity	-	(47,569,448)	-	-	(47,569,448)
BALANCE AT 31 DECEMBER 2008	**194,306,252**	**(184,107,391)**	**1,579,183**	**53,718,183**	**65,496,227**

The accompanying notes form part of these financial statements.

	NOTE	CONSOLIDATED 31 DEC 2008 $	 31 DEC 2007 $
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from goods and services provided		**4,627,857**	97,773
Payments to suppliers and employees		**(36,513,685)**	(7,338,430)
Interest received		**123,738**	1,722,231
Net cash (used in) operating activities		**(31,762,090)**	(5,518,426)
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for plant development expenses		**(8,055,082)**	(59,606,688)
Loans to associated entities		**(500,000)**	(5,073,038)
Purchase of property, plant and equipment		**(29,081)**	(447,480)
Purchase of investments		**-**	(1,512,641)
Net cash (used in) investing activities		**(8,584,163)**	(66,639,847)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**22,820,320**	-
Payments incurred in capital raising		**(287,812)**	(4,755)
Payments incurred in convertible bond raising		**-**	(3,178)
Proceeds from borrowings		**719,425**	-
Repayment of borrowings		**(9,948,588)**	(381,000)
Payment of interest on Ganesha loan		**(141,325)**	-
Payment of interest on Power Knight loan		**(1,277,708)**	-
Payment of interest on convertible bonds		**(3,401,784)**	(3,076,569)
Net cash provided by/(used in) financing activities		**8,482,528**	(3,465,502)
Net increase/(decrease) in cash held		**(31,863,725)**	(75,623,775)
Cash and cash equivalents at 1 July		**16,244,316**	114,433,909
Effect of exchange rate fluctuations on cash held		**22,972,997**	(2,810,804)
Cash and cash equivalents at 31 Dec		**7,353,588**	35,999,330

The accompanying notes form part of these financial statements.

1. BASIS OF PREPARATION

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by Natural Fuel Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2008 financial report.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

Reporting Basis and Conventions

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

2. CHANGE IN ACCOUNTING POLICY

The following accounting policies were available for early adoption but have not been applied in preparing these consolidated interim financial statements.

- AASB 101 *Presentation of Financial Statements* (Revised 2007)
- AASB 8 *Operating Segments*
- AASB 123 *Borrowing Costs* (Revised 2007)

The adoption of AASB 101 *Presentation of Financial Statements* (Revised 2007) is applicable for annual reporting periods beginning on or after 1 January 2009. It makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity will be recognised in other comprehensive income, for example revaluation of property, plant and equipment. AASB 101 affects the presentation of owner changes in equity and introduces a "Statement of Comprehensive Income".

AASB 8 *Operating Segments* is applicable for annual reporting periods beginning on or after 1 January 2009. It will not affect the identified operating segments for the Group. Reported segment results are based on internal management reporting information that is regularly reviewed by the chief operating decision maker.

AASB 123 *Borrowing Costs* (Revised 2007) requires the capitalisation of borrowing costs to the extent they are directly attributable to the acquisition, production or construction of qualifying assets that need a substantial period of time to get ready for their intended use or sale. There will be no effect of the applications of the new standard given that the Group already capitalise borrowing costs related to qualifying assets.

3. GOING CONCERN

Following completion and commissioning of two out of three Biodiesel trains at the Jurong Island Plant, Singapore and the imminent entry into a tolling agreement for the supply of up to 50,000 tonnes of biodiesel per month, the directors expect to commence biodiesel production during the first half of the 2009 calendar year. The Group had a loss of $47.5 million during the half-year ended 31 December 2008 and a working capital deficit at balance date of $29.3 million. The working capital deficit along with the cash requirement to finance ongoing operations and production will need to be offset with additional external funding during the current financial year. Directors are advancing negotiations to secure this additional funding, which may take the form of equity, debt or a combination of both but at the date of this report no such funding has been agreed.

The directors believe that the Company will be successful in the above matters and accordingly have prepared the financial report on a going concern basis in the belief that the Company will realise its assets and settle its liabilities and commitments in the normal course of business and for at least the amounts stated in the financial report.

4. IMPAIRMENT

Goodwill is allocated to the Group's cash generating units (CGU's) identified according to business segment and country of operation. The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

In accordance with Australian Accounting Standard AASB 136: Impairment of Assets, the Group performed its goodwill impairment test by comparing the recoverable amount of the Singapore CGU with its carrying amount. The recoverable amount of the CGU was determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 15 year time period, being the economic useful life of the plant from commencement of commercial production with no terminal value assumed beyond projection period.

Management prepared the value-in-use calculations with reference to the entire Singapore operations as a CGU and assessed the CGU for impairment based on the Group completing negotiation with an independent Singapore-based financier and feedstock supplier to provide up to 50,000 tonnes of biodiesel under a tolling agreement. Although the term of the agreement is 12 months, it was assumed that the Group will either extend the existing contract or successfully negotiate new sales contracts. Present value of cash flow projections were also calculated over a 5 year and 10 year time period including a terminal value. All calculations resulted in a positive net present value.

A discount rate of 13% was estimated based on the Group's weighted average cost of capital.

As a result of the impairment review, the directors have determined that there is no evidence of impairment of the Singapore operations at balance date. However, the reliability of the value in use calculations is dependent on the Group achieving its sales and gross margin projections which is inherently uncertain due to the early phase of its operations. If the Group does not achieve its projections this will impact the calculated recoverable amount.

5. SEGMENT INFORMATION

FOR THE SIX MONTHS ENDING 31 DECEMBER 2008	AUSTRALIA $	SINGAPORE $	UNITED STATES OF AMERICA $	INTER-SEGMENT ELIMINATIONS $	TOTAL $
Segment result					
Sales to external customers	-	5,648,008	-	-	5,648,008
Inter-segment sales	-	-	-	-	-
Total sales revenue	-	5,648,008	-	-	5,648,008
Share of net loss of associate	-	-	-	-	-
Other revenue/income	169,730	4,578	241	-	174,549
Total segment revenue/income	169,730	5,652,586	241	-	5,822,557
Segment result	(14,066,075)	(33,456,442)	(46,931)	-	(47,569,448)
Unallocated revenue less unallocated expenses					-
Loss before income tax					(47,569,448)
Income tax expense					-
Loss for the period					(47,569,448)

5. SEGMENT INFORMATION (CONT'D)

FOR THE SIX MONTHS ENDING 31 DECEMBER 2007	AUSTRALIA $	SINGAPORE $	UNITED STATES OF AMERICA $	INTER-SEGMENT ELIMINATIONS $	TOTAL $
Segment result					
Sales to external customers	-	-	-	-	-
Inter-segment sales	-	-	-	-	-
Total sales revenue	-	-	-	-	-
Share of net loss of associate	(6,487,218)	-	-	-	(6,487,218)
Other revenue/income	71,484	-	-	-	71,484
Total segment revenue/income	(6,415,734)	-	-	-	(6,415,734)
Segment result	(36,025,272)	(1,819,353)	(1,223,664)	(931,176)	(39,999,465)
Unallocated revenue less unallocated expenses					-
Loss before income tax					(39,999,465)
Income tax expense	-	-	-	-	-
Loss for the period					(39,999,465)

Description of segments

Geographical segments

The Group is organised and managed on a global basis primarily through three geographical segments. Geographical segments are deemed to be the primary reporting segment.

Australia

The home country of the parent entity and the corporate head office is Australia. The areas of operation in the Australian segment are principally the development of a biodiesel plant and marketing and distribution of biodiesel with the view to production in the future.

Singapore

The areas of operation in the Singapore segment are principally the development of a bio-diesel plant with the view to production and sales in the future.

United States of America

During the year, the Group ceased operations in the United States of America. Previously the areas of operation in the United States of America segment were principally the development of a bio-diesel plant with the view to production and marketing and distribution activities in the future.

Business segments

The Group's only business segment is the development of bio-diesel plants with the plan to produce, market and distribute bio-diesel products in the future. As a consequence of having only one determinable business segment no detailed secondary segmental analysis has been included in this note.

6. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

7. EVENTS SUBSEQUENT TO REPORTING DATE

Other than as disclosed in the Review of Results and Operations, there was no other matter or circumstance that has arisen since 31 December 2008 that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the Group's state of affairs in future financial years.

The directors of Natural Fuel Limited ("the Company") declare that:

1. the financial statements and notes set out on pages 6 to 13:

   (a) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and

   (b) give a true and fair view of the economic entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date.

2. In the director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

MICHAEL GRANT PIXLEY
DIRECTOR

Dated this 27th day of February 2009.

Grant Thornton

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Independent Auditor's Review Report
To the Members of Natural Fuel Limited
Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Natural Fuel Limited, which comprises the consolidated interim balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards including the Australian Accounting Interpretations and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement ASRE 2410: Review of an Interim and Other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Natural Fuel Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Natural Fuel Limited is not in accordance with the Corporations Act 2001, including:

1 giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

2 complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Material Uncertainty regarding Continuation as a Going Concern

Without qualification to our conclusion above, we draw attention to Note 3 in the half-year financial report.

The Group had a loss of $47.5 million during the half-year ended 31 December 2008 and a working capital deficit at balance date of $29.3 million. The working capital deficit along with the cash requirement to finance ongoing operations and production will necessitate additional external funding during the next twelve months. Directors are advancing negotiations to secure this additional funding, which may take the form of equity, debt or a combination of both, but at the date of this report, no such funding has been agreed.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the half-year financial report.

The half-year financial report does not include any adjustments relating to the recoverability and classification of recorded assets amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity be unable to continue as a going concern.

Material Uncertainty regarding the Carrying Value of the Singapore Operations

We refer to Note 4 to the half-year financial report. The carrying value of the Singapore operations, totalling $277 million, is dependent on obtaining future sales contracts with sufficient margins from external parties. Included within the assumptions underlying the value in use calculation is the implementation of the recently negotiated tolling agreement to provide biodiesel. Should management not be able to successfully negotiate other biodiesel contracts on at least similar terms to those upon which the value in use calculation is based, the carrying value of the Singapore operations may exceed its recoverable amount.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J W VIBERT
Director – Audit & Assurance

Perth, 27 February 2009