



## Corporate Governance Statement

*A statement disclosing the extent to which Sterling Biofuels International Limited has followed the best practice recommendations set by the ASX Corporate Governance Council.*

1.1	Formalise and disclose the functions reserved to the Board and those delegated to management	The Board is responsible for the overall corporate governance of the Company. The Board's responsibilities are disclosed in the prospectus of Sterling dated 11 August 2006 (Prospectus).	Not applicable
2.1	A majority of the Board should be independent directors	Currently, Sterling has two independent directors and three non-independent directors	Given the company's present size and scope it is currently not company policy to have a majority of independent directors. Persons have been selected as directors to bring specific skills and industry experience relevant to the company.
2.2	The chairman should be an independent director	The chairman, Mr Alister Maitland, is an independent director.	Not applicable.
2.3	The roles of chairman and chief executive officer should not be exercised by the	The roles of chairman and chief executive officer are not performed by the same individual.	Not applicable.

Sterling Biofuels			
	same individual		
2.4	The board should establish a nomination committee	The board has not established a nomination committee.	Given the present size of the company, the board has decided that a nomination committee is not required. The functions of the nomination committee will be carried out by the full Board.
2.5	Provide the information indicated in Guide to reporting on Principle 2	The information has been disclosed in the Prospectus with the exception that there is no commentary on why the board has chosen not to have a nomination committee. A non-executive director is considered as independent when he substantially satisfies the test for independence as set out in the ASX Best Practice Recommendations. Mr Alister Maitland and Mr Adam Sierakowski are both considered to be independent directors.	Given the present size of the company, the board decided that a separate nominations and remuneration committee was not required. The functions of this committee will be carried out by the full Board.
3.1	Establish a code of conduct to guide the directors, the managing director and any other key executives as to the practices necessary to maintain	The board has adopted a written code of conduct.	Not applicable.



	confidence in the company's integrity and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices		
3.2	Disclose the policy concerning trading in company securities by directors, officers and employees	The policy has been disclosed in the Prospectus.	Not applicable.
3.3	Provide the information indicated in Guide to reporting on Principle 3	A summary of the company's guidelines for dealing in securities has been disclosed in the Prospectus.	Not applicable.
4.1	Require the chief executive officer and the company secretary to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operating results and are in accordance with relevant accounting standards	The chief executive officer and the company secretary will provide the board with this statement.	Not applicable.
4.2, 4.3, 4.4	The board should establish an audit committee	The board has established an audit committee. The structure of the audit committee consists of 3 non-executive directors (Adam Sierakowski, Shariffuddin Khalid and Alister Maitland). This	Not applicable

		information has been disclosed in the Prospectus. The audit committee is comprised of a majority of independent directors.	
4.5	Provide the information indicated in Guide to reporting on Principle 4	The information has been disclosed in the Prospectus. The audit and risk committee will be responsible for overseeing the company's relationship with the external auditor including forming a policy on the rotation of external auditor personnel on a regular basis. Ernst & Young has been appointed as the external auditor.	Not applicable.



5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance	The Company has adopted an Information Policy applicable to all directors of the company group and senior management.	Not applicable.
5.2	Provide the information indicated in Guide to reporting on Principle 5	<p>The company's Information Policy sets out the procedure for:</p> <ul style="list-style-type: none"> <li>• protecting confidential information from unauthorised disclosure;</li> <li>• identifying material price sensitive information;</li> <li>• reporting material price sensitive information to the company secretary for review;</li> <li>• ensuring Sterling achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules (including in dealings and discussions with analysts, professional bodies, the media or customers); and</li> <li>• ensuring Sterling and individual officers do not contravene the Corporations Act or ASX Listing Rules (including</li> </ul>	Not applicable.

		<p>restrictions on media interviews or presentations).</p> <p>The company secretary has primary responsibility for all communication with the ASX in relation to Listing Rule matters.</p>	
6.1	<p>Design and disclose a communications strategy to promote effective communications with shareholders and encourage effective participation at general meetings</p>	<p>The Company places a high priority on communication with Shareholders and is aware of the obligations it will have, once listed, under the Corporations Act and the Listing Rules, to keep the market fully informed of information which is not generally available and which may have a material effect on the price or value of the Company's securities.</p> <p>Information is communicated to shareholders as follows:</p> <ul style="list-style-type: none"> <li>• notices of all meetings of shareholders;</li> <li>• all documents that are released publicly may be accessed on the company's website at <a href="http://www.sterlingbiofuels.com">www.sterlingbiofuels.com</a></li> </ul>	Not applicable.
6.2	<p>Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the</p>	<p>The directors advise that the company will comply with Principle 6.2 of the Principles of Good Corporate Governance.</p>	Not applicable.

	preparation and content of the auditor's report		
7.1	The board or appropriate board committee should establish policies on risk oversight and management	The board monitors and if necessary receives advice on areas of operational and financial risk, and considers strategies for appropriate risk management arrangements. The effectiveness of the control environment of the company group in relation to operational and balance sheet risk is monitored and reviewed by the audit and risk committee. This includes overseeing the adequacy of and compliance with prescribed policies, control process in place relating to safeguarding of assets, maintenance of proper accounting records and reliability of financial information.	Not applicable.
7.2	The chief executive officer and the company secretary should state to the board in writing that the statement given in accordance with BPR 4.1 is founded on a sound system of risk oversight and management internal control which implements the policies adopted by	A policy to require such a statement is in place.	Not applicable.



	the board and the company's risk management and internal control and compliance system is operating efficiently and effectively in all material respects		
7.3	Provide the information indicated in Guide to reporting on Principle 7	This information is provided in this statement. (Refer to 7.1)	Not applicable.
8.1	Disclose the process for performance evaluation of the board and individual directors	The company has in place informal procedures for evaluating the performance of the board, its committees, individual directors and key executives.	At this stage of the development of the company, Sterling has only informal procedures in place for performance evaluation of the board, its committees and key executives against qualitative indicators.





9.1	Provide disclosure in relation to the company's remuneration policies to enable investors to understand the costs and benefits of those policies and the link between remuneration paid to directors and key executives and corporate performance	The company has established a Performance Rights Plan for certain senior employees, the terms and conditions of which are summarised in the Prospectus. A condition of the issue of shares under the Performance Right Plan is whether the company meets forecast NPAT. Other performance criteria can be included as relevant to a particular employee.	Other than the establishment of the Performance Rights Plan, the company has not developed formal remuneration policies at this stage of its development.
9.2	The board should establish a remuneration committee	The board has not established a remuneration committee.	It is considered that the board is of small enough size to adequately assess and review remuneration policy without the need to delegate to a smaller committee.
9.3	Clearly distinguish the structure of non-executive directors remuneration from that of executives	This information has been disclosed in the Prospectus.	Not applicable.
9.4	Ensure that equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders	Prior to listing, the company established a Performance Rights Plan for certain senior employees, the terms and conditions of which are summarised in the Prospectus.	Not applicable.
9.5	Provide the	This information is	Not applicable.



	information indicated in Guide to reporting on Principle 9	provided in this statement. (Refer to 9.1 and 9.2) The company does not currently have in existence any schemes for retirement benefits for non-executive directors.	
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders	Refer to comments in 3.1 above.	Not applicable.